**NEW ISSUE—FULL BOOK ENTRY**

**RATINGS:**
**Moody's: "Aa2"**
**S&P: "AA+"**
**(See "RATINGS" herein)**

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the County with certain covenants, under present law, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

COUNTY OF MARIN

# $80,140,000
## Certificates of Participation
## (2015 Financing Project)
## Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the COUNTY OF MARIN, CALIFORNIA as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

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

The $80,140,000 Certificates of Participation (2015 Financing Project) (the "Certificates"), are being executed and delivered to (a) together with available moneys, to defease the County's outstanding Certificates of Participation (2010 Financing Project) (the "2010 Certificates"), (b) finance the renovations, repair, construction and improvement to Marin County (the "County") facilities and infrastructure , and (c) pay costs incurred in connection with executing and delivering the Certificates. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the County to the Public Property Financing Corporation of California (the "Corporation") for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of July 1, 2015, by and between the Corporation and the County (the "Lease Agreement"). The Corporation will assign its right to receive Lease Payments from the County under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the County thereunder to U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee"), for the benefit of the registered owners of the Certificates. ***A reserve fund will not be funded for the Certificates***.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (referred to herein as "DTC"). Purchasers of the Certificates (the "Beneficial Owners") will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each May 1 and November 1, commencing November 1, 2015. The Certificates may be executed and delivered in denominations of $5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See "THE CERTIFICATES—Book-Entry-Only System" herein).

***The Certificates are subject to optional, mandatory and extraordinary redemption, as described herein.***

The County will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the County of the Property or any portion thereof. However, if the value of the undamaged portion of the Property (including the value of the unimproved real property) equals or exceeds the outstanding principal amount of the Certificates, the County could not abate any Lease Payments. The County will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE COUNTY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

## MATURITY SCHEDULE

SEE THE INSIDE COVER

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The following firm, serving as municipal advisor to the County, has structured this issue:

**WULFF, HANSEN & CO.**
ESTABLISHED 1931
INVESTMENT BANKERS

*The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the County by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about July 15, 2015.*

Dated: June 18, 2015

**$80,140,000**
**Certificates of Participation**
**(2015 Financing Project)**
**Evidencing Direct, Undivided Fractional Interests of the**
**Owners Thereof in Lease Payments to be Made by the**
**COUNTY OF MARIN, CALIFORNIA**
**as the Rental for Certain Property Pursuant**
**to a Lease Agreement with the**
**Public Property Financing Corporation of California**

**MATURITY SCHEDULE**

**$46,695,000 Serial Certificates**

CUSIP† Prefix: 567833

| Maturity Date (November 1) | Principal Amount | Interest Rate | Yield | CUSIP† Suffix |
|---|---|---|---|---|
| 2015 | $2,000,000 | 2.000% | 0.280% | FL7 |
| 2016 | 1,370,000 | 3.000 | 0.550 | FM5 |
| 2017 | 1,410,000 | 4.000 | 0.950 | FN3 |
| 2018 | 1,465,000 | 4.000 | 1.250 | FP8 |
| 2019 | 1,525,000 | 4.000 | 1.480 | FQ6 |
| 2020 | 1,585,000 | 5.000 | 1.740 | FR4 |
| 2021 | 1,665,000 | 5.000 | 1.950 | FS2 |
| 2022 | 1,750,000 | 5.000 | 2.150 | FT0 |
| 2023 | 1,835,000 | 5.000 | 2.300 | FU7 |
| 2024 | 1,930,000 | 5.000 | 2.450 | FV5 |
| 2025 | 2,025,000 | 5.000 | 2.620 | FW3 |
| 2026 | 2,125,000 | 5.000 | 2.750 | FX1 |
| 2027 | 2,230,000 | 3.000 | 3.000 | FY9 |
| 2028 | 2,300,000 | 3.000 | 3.185 | FZ6 |
| 2029 | 2,370,000 | 3.250 | 3.338 | GA0 |
| 2030 | 2,445,000 | 3.250 | 3.419 | GB8 |
| 2031 | 2,525,000 | 3.500 | 3.500 | GC6 |
| 2032 | 2,615,000 | 4.000 | 3.530 | GD4 |
| 2033 | 2,715,000 | 4.000 | 3.580 | GE2 |
| 2034 | 2,825,000 | 4.000 | 3.620 | GF9 |
| 2035 | 2,940,000 | 3.625 | 3.695 | GG7 |
| 2036 | 3,045,000 | 3.750 | 3.784 | GH5 |

**$13,420,000 4.000% Term Certificates maturing November 1, 2040; Price: 99.208% to Yield 4.050%—CUSIP†: 567833 GJ1**

**$20,025,000 4.000% Term Certificates maturing November 1, 2045; Price: 97.929% to Yield 4.120%—CUSIP†: 567833 GK8**

**COUNTY OF MARIN, CALIFORNIA**
http://www.co.marin.ca.us/

**COUNTY BOARD OF SUPERVISORS**

Katie Rice, *President*, District 2
Steve Kinsey, *Vice President*, District 4
Judy Arnold, *2nd Vice President*, District 5
Damon Connolly, *Supervisor*, District 1
Kate Sears, *Supervisor*, District 3

**COUNTY OFFICIALS**

Matthew H. Hymel, *County Administrator*
Roy Given, *Director of Finance*
Steven M. Woodside, *County Counsel*
Raul M. Rojas, *Director of Public Works*

**SPECIAL SERVICES**

*Financial Advisor*
Wulff, Hansen & Co.
San Francisco, California

*Special Counsel and Disclosure Counsel*
Quint & Thimmig LLP
Larkspur, California

*Trustee and Escrow Bank*
U.S. Bank National Association
San Francisco, California

*Verification Agent*
Grant Thornton LLP
*Minneapolis, Minnesota*

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

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. 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 facts.

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

The information set forth herein has been obtained from the County and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Director of Finance for further information. See "INTRODUCTION—Other Information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the County's forecasts in any way. Neither the County nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The County maintains a website. Unless specifically indicated otherwise, the information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

# TABLE OF CONTENTS

# MARIN COUNTY • CALIFORNIA


LOCATION MAP

**$80,140,000**
**CERTIFICATES OF PARTICIPATION**
**(2015 Financing Project)**
**Evidencing Direct, Undivided Fractional Interests of the**
**Owners Thereof in Lease Payments to be Made by the**
**COUNTY OF MARIN, CALIFORNIA**
**as the Rental for Certain Property**
**Pursuant to a Lease Agreement with the**
**Public Property Financing Corporation of California**

## INTRODUCTION

This introduction does not purport to be complete and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement and in APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

### General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of $80,140,000 aggregate principal amount of Certificates of Participation (2015 Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2015 (the "Trust Agreement"), by and among the County of Marin (the "County"), the Public Property Financing Corporation of California (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee").

Proceeds of the Certificates will be used to (a) refund, on an advance basis, the County's outstanding Certificates of Participation (2010 Refinancing Projects) (the "2010 Certificates"), (b) and (b) finance renovations, repairs, construction and improvements to County facilities and infrastructure (the "2015 Project"), and (c) pay costs incurred in connection with executing and delivering the Certificates. See "PLAN OF FINANCING."

The County will lease the site of the Marin County Civic Center (the "Site") and the improvements thereon (collectively, the "Facility" and together with the Site, the "Property") to the Corporation pursuant to a Site and Facility Lease, dated as of July 1, 2015 (the "Site and Facility Lease"), between the County and the Corporation. The Corporation will lease the Property back to the County pursuant to a Lease Agreement, dated as of July 1, 2015 (the "Lease Agreement"). The Certificates are payable solely from and secured by certain lease payments ("Lease Payments") to be made by the County to the Corporation pursuant to the Lease Agreement. See "SOURCE OF PAYMENT FOR THE CERTIFICATES" and "THE PROPERTY."

Interest with respect to the Certificates is payable on May 1 and November 1 of each year, commencing November 1, 2015. The Certificates will mature in the amounts and on the dates and bear interest at the rates shown on the cover of this Official Statement. See "THE CERTIFICATES."

The Certificates will be delivered in fully registered form only, in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as the depository for the Certificates and all payments due with respect to the Certificates will be made to Cede & Co. Ownership interests in the Certificates may be purchased only in book-entry form. See "THE CERTIFICATES—Book-Entry Only System" and APPENDIX F—DTC'S BOOK-ENTRY ONLY SYSTEM.

**Source of Payment for the Certificates**

The Certificates represent direct, undivided fractional interests of the Owners thereof in the Lease Payments to be paid by the County to the Corporation pursuant to the Lease Agreement. Lease Payments are calculated to be sufficient to permit the payment of the principal and interest with respect to the Certificates when due. The Lease Payments are payable by the County from its general fund for the right to use and possess the Property. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the County of the Property or any portion thereof. The County will covenant under the Lease Agreement to take such action as necessary to include the Lease Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of July 1, 2015 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights under the Lease Agreement, including its right to receive Lease Payments from the County for the purpose of securing the payment of principal and interest with respect to the Certificates. See "SOURCE OF PAYMENT FOR THE CERTIFICATES" and "RISK FACTORS."

**A reserve fund will *not* be established for the Certificates.**

THE OBLIGATION OF THE COUNTY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

**The County**

The County is one of the nine counties in the San Francisco-Oakland Bay Area, and was established in 1850 as one of California's original 27 counties following the adoption of the Constitution of 1849. The County of Marin currently occupies 520 square miles and includes 11 incorporated cities and towns: Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon.

The County is linked to San Francisco by the Golden Gate Bridge to the South, Sonoma County to the North, San Pablo Bay and San Francisco Bay to the East, and the Pacific Ocean to the West. Most of the County's residents live along the eastern side, with a string of communities running along the San

Francisco Bay. The rural coastal corridor and inland valleys feature vast acreage of land in agricultural production, as well as open space for tourism and recreation.

See "THE COUNTY," "COUNTY FINANCIAL INFORMATION" and APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY.

**Continuing Disclosure**

The County will covenant in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE" and APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

**Summaries of Documents**

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Copies of the various documents described herein are available for inspection during business hours at the corporate trust office of the Trustee at One California Street, Suite 1000, San Francisco, CA 94111.

**Other Information**

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

Unless otherwise expressly noted, all references to internet websites in this Official Statement, including without limitation, the County's website, are shown for reference and convenience only and none of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the County and the County makes no representation regarding the accuracy or completeness of the information therein.

## SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Certificates and other moneys:

| | |
|---|---|
| **Sources** | |
| Par amount of the Certificates | $80,140,000.00 |
| Plus: Original Net Premium | 2,581,188.45 |
| Less: Released 2010 Moneys | 4,003,043.30 |
| Total Sources | $86,724,231.75 |
| | |
| **Uses** | |
| Deposit to Project Fund | $25,509,349.31 |
| Deposit to Escrow Fund (1) | 60,483,553.04 |
| Delivery Costs Fund (2) | 731,329.40 |
| Total Uses | $86,724,231.75 |

(1) Amounts deposited in the Escrow Fund will be applied to the defeasance and redemption of the 2010 Certificates. See PLAN OF FINANCING.

(2) Delivery Costs include the Underwriter's discount, fees and expenses of Special Counsel, Disclosure Counsel, Municipal Advisor and the Trustee, printing expenses, rating fees, title insurance and other costs.

## PLAN OF FINANCING

Proceeds of the Certificates will be used to (a) refund the 2010 Certificates, (b) finance the 2015 Project, and (c) pay costs incurred in connection with executing and delivering the Certificates.

*Refunding of the 2010 Certificates*. A portion of the proceeds of the Certificates will be used to effect an advance refunding of the outstanding 2010 Certificates, currently outstanding in the principal amount of $53,980,000. The proceeds of the 2010 Certificates were used to finance various capital improvements throughout the geographic boundaries of the County and to refund certain certificates of participation delivered in 1998.

A portion of the proceeds from the sale of the Certificates will be deposited into an escrow fund (the "Escrow Fund") to be created and maintained by U.S. Bank National Association, as escrow bank (the "Escrow Bank"), under an escrow deposit and trust agreement by and between the County and the Escrow Bank. A portion of the moneys deposited in the Escrow Fund will be invested in U.S. Treasury Securities or obligations fully guaranteed by the United States ("Treasuries") and the remaining amount will be held in cash, uninvested. The maturing Treasuries, the interest thereon and the uninvested cash will be applied to the payment of principal and interest with respect to the 2010 Certificates to and including August 1, 2020, and will applied to the redemption of the 2010 Certificates in full on that date at a principal amount equal to 100% thereof.

The sufficiency of the moneys, investment earnings and maturing Treasuries for such purposes will be verified by Grant Thornton LLP (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS." Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the obligations of the County with respect to the 2010 Certificates will be defeased and discharged. The maturing Treasuries, the interest income thereon and the uninvested cash in the Escrow Fund will be held in trust solely for the 2010 Certificates and will not be available to pay principal or interest with respect to the Certificates or any obligations other than the 2010 Certificates.

*Financing of the 2015 Project*. A portion of the proceeds of the Certificates will be used to finance the 2015 Project. The County owns 43 buildings, with approximately 1.1 million square feet, highlighted by Frank Lloyd Wright's National Historic Landmark Marin County Civic Center. Many of these buildings are more than 20 years of age and in need of modernization and/or new systems. The County estimates that over the next 10 years there is a range of $68 to $83 million in deferred maintenance and code upgrades that will be needed to extend the useful life of these facilities. The Marin County Fire Department has a number of older or obsolete facilities that will need upgrading or rebuilding over the next 10-20 years with an estimate of the range of costs from $21 to $46 million, not including any land acquisition.

## PROPERTY

Pursuant to the Site and Facility Lease, the County will lease the Property to the Corporation. Pursuant to the Lease Agreement, the Corporation will, in turn, lease the Property back to the County. See APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SITE AND FACILITY LEASE and APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The Property consists of the Marin County Civic Center, located at the northeast corner of the intersection of Highway 101 and North San Pedro Road on County-owned property within the City of San Rafael, California.

The Civic Center complex, totaling 131.66 acres, consists of three principal elements which include County government buildings, the fairgrounds and other culturally related facilities, and a park area. The entire site was master planned by renowned architect Frank Lloyd Wright who, at the age of 90 years old, received the commission from the County Board in 1957. The government complex was Wright's last major work and his largest constructed project. It is composed of two buildings, the 580-foot long Administration Building and the 880-foot long Hall of Justice, which are set at a slight angle to each other and joined together by a central rotunda. The rounded ends of the two buildings are built into the side of the hills, where they are not merely placed on parcels of land, but the buildings are integrally connected to the landscape. In 1991, the buildings and surrounding area were granted status as a National Historic Landmark. The Administration Building and Hall of Justice total about 470,000 square feet of assigned and common space.

In addition to and separate from the main Civic Center buildings, the campus includes a variety of other buildings and facilities, including the General Service Building, City of San Rafael Fire Station #7, a U.S. Post Office, a County Jail, a National Guard Armory (adjacent to the Campus), the Marin Veteran's Memorial Auditorium, the Exhibit Hall and Showcase Theatre, the County Fairgrounds, a playground, a lagoon and adjacent park, as well as a network of streets, parking areas, and miscellaneous landscaped and open space areas.

The County estimates the replacement value of the Civic Center complex to be in excess of $200,000,000.

For a description of certain terms of the Lease Agreement see "SOURCE OF PAYMENT FOR THE CERTIFICATES" and APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Pursuant to the Lease Agreement, the County may substitute the Property, in whole or in part, with other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see "SOURCE OF PAYMENT FOR THE CERTIFICATES—Substitution of Site or Facility" and APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The County has not granted any security interest in the Property for the benefit of the Certificates and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Lease Agreement. For a discussion of remedies upon an Event of Default under the Lease Agreement, see "RISK FACTORS—Limited Recourse on Lease Agreement Default" and "—Limitations on Remedies."

## ANNUAL DEBT SERVICE

The following table shows the scheduled annual debt service for the Certificates:

| Year Ending November 1 | Principal (1) | Interest | Total |
|---|---|---|---|
| 2015 | $ 2,000,000 | $ 932,910.42 | $ 2,932,910.42 |
| 2016 | 1,370,000 | 3,128,375.00 | 4,498,375.00 |
| 2017 | 1,410,000 | 3,087,275.00 | 4,497,275.00 |
| 2018 | 1,465,000 | 3,030,875.00 | 4,495,875.00 |
| 2019 | 1,525,000 | 2,972,275.00 | 4,497,275.00 |
| 2020 | 1,585,000 | 2,911,275.00 | 4,496,275.00 |
| 2021 | 1,665,000 | 2,832,025.00 | 4,497,025.00 |
| 2022 | 1,750,000 | 2,748,775.00 | 4,498,775.00 |
| 2023 | 1,835,000 | 2,661,275.00 | 4,496,275.00 |
| 2024 | 1,930,000 | 2,569,525.00 | 4,499,525.00 |
| 2025 | 2,025,000 | 2,473,025.00 | 4,498,025.00 |
| 2026 | 2,125,000 | 2,371,775.00 | 4,496,775.00 |
| 2027 | 2,230,000 | 2,265,525.00 | 4,495,525.00 |
| 2028 | 2,300,000 | 2,198,625.00 | 4,498,625.00 |
| 2029 | 2,370,000 | 2,129,625.00 | 4,499,625.00 |
| 2030 | 2,445,000 | 2,052,600.00 | 4,497,600.00 |
| 2031 | 2,525,000 | 1,973,137.50 | 4,498,137.50 |
| 2032 | 2,615,000 | 1,884,762.50 | 4,499,762.50 |
| 2033 | 2,715,000 | 1,780,162.50 | 4,495,162.50 |
| 2034 | 2,825,000 | 1,671,562.50 | 4,496,562.50 |
| 2035 | 2,940,000 | 1,558,562.50 | 4,498,562.50 |
| 2036 | 3,045,000 | 1,451,987.50 | 4,496,987.50 |
| 2037 | 3,160,000 | 1,337,800.00 | 4,497,800.00 |
| 2038 | 3,285,000 | 1,211,400.00 | 4,496,400.00 |
| 2039 | 3,420,000 | 1,080,000.00 | 4,500,000.00 |
| 2040 | 3,555,000 | 943,200.00 | 4,498,200.00 |
| 2041 | 3,695,000 | 801,000.00 | 4,496,000.00 |
| 2042 | 3,845,000 | 653,200.00 | 4,498,200.00 |
| 2043 | 4,000,000 | 499,400.00 | 4,499,400.00 |
| 2044 | 4,160,000 | 339,400.00 | 4,499,400.00 |
| 2045 | 4,325,000 | 173,000.00 | 4,498,000.00 |
| TOTAL | $80,140,000 | $57,724,335.42 | $137,864,335.42 |

(1) Includes mandatory sinking fund installments. See "THE CERTIFICATES—Redemption—Mandatory Sinking Fund Redemption.

## THE CERTIFICATES

### General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on the dates and interest with respect thereto will be payable at the rates per annum as set forth on the cover of this Official Statement. The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of $5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on May 1 and November 1 of each year, commencing November 1, 2015 (each an "Interest Payment Date"), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of "Cede & Co." as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See "THE CERTIFICATES—Book-Entry Only System."

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before October 15, 2015, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

**Redemption**

*Optional Redemption*. The Certificates maturing on or before November 1, 2025, are not subject to optional redemption prior to maturity. The Certificates maturing on and after November 1, 2026, are subject to optional redemption, in whole or in part on any date on or after November 1, 2025, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the date fixed for redemption from the proceeds of the optional prepayment of Lease Payments made by the County pursuant to the Lease Agreement, without premium.

*Mandatory Sinking Fund Redemption*. The Certificates maturing on August 1, 2040, are subject to mandatory redemption in part on August 1 in each year on and after August 1, 2037, to and including August 1, 2040, from the principal components of scheduled Lease Payments required to be paid by the County pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

| Year (August 1) | Principal Amount of Certificates to be Redeemed |
|---|---|
| 2037 | $3,160,000 |
| 2038 | 3,285,000 |
| 2039 | 3,420,000 |
| 2040† | 3,555,000 |

†Maturity.

The Certificates maturing on August 1, 2045, are subject to mandatory redemption in part on August 1 in each year on and after August 1, 2041, to and including August 1, 2045, from the principal components of scheduled Lease Payments required to be paid by the County pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

| Year (August 1) | Principal Amount of Certificates to be Redeemed |
|---|---|
| 2041 | $3,695,000 |
| 2042 | 3,845,000 |
| 2043 | 4,000,000 |
| 2044 | 4,160,000 |
| 2045† | 4,325,000 |

†Maturity.

*Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award*. The Certificates are subject to extraordinary redemption in whole on any date or in part on any Interest Payment Date from the Net Proceeds of an insurance, title insurance, condemnation or eminent domain award, to the extent credited towards the prepayment of the Lease Payments by the County pursuant to the Lease Agreement, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

*Selection of Certificates for Redemption*. Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all of the Outstanding Certificates are to be redeemed, the Trustee will select Certificates for redemption from the Outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the County (and, in lieu of such designation, *pro rata* among maturities) and by lot within a maturity. The Trustee will select Certificates for redemption within a maturity by lot in any manner which the Trustee will, in its sole discretion, deems appropriate. For purposes of such selection, Certificates will be deemed to be composed of $5,000 portions and any such portion may be separately redeemed. The Trustee will promptly notify the County in writing of the Certificates so selected for redemption. Selection by the Trustee of Certificates for redemption will be final and conclusive.

*Notice of Redemption*. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption will be given by the Trustee on behalf and at the expense of the County, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for the redemption of the Certificates.

*Effect of Redemption*. If notice of redemption has been given as described above, the Certificates or portions of Certificates so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date, interest with respect to such Certificates or portions of Certificates will cease to be payable.

*Partial Redemption of Certificate*. Upon surrender of any Certificate redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

**Transfer and Exchange of Certificates**

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his attorney duly authorized in writing upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The County shall pay any costs of the Trustee incurred in connection with such transfer, except that the Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Certificates or portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificates selected for redemption.

Certificates may be exchanged, upon surrender thereof, at the Principal Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates shall be surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The County shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange (i) any Certificate or any portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificate selected for redemption.

**Book-Entry Only System**

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the County or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX F—DTC'S BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the County will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

## SOURCE OF PAYMENT FOR THE CERTIFICATES

### General

Each Certificate represents a direct, undivided fractional interest in the Lease Payments. Pursuant to the Lease Agreement, the County will lease the Property from the Corporation and agree to make Lease Payments. See "PROPERTY." Upon satisfaction of certain conditions set forth in the Lease Agreement, the County may substitute the Property with other properties. See "Substitution of Site or Facility" below.

As security for the Certificates, the Corporation will assign to the Trustee for the payment of principal and interest with respect to the Certificates, the Corporation's rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the County under the Lease Agreement. The Lease Payments are designed to be sufficient, in both time and amount, to pay when due, the principal and interest with respect to the Certificates. The Lease Payments are payable by the County from any source of available funds.

THE OBLIGATION OF THE COUNTY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE LEASE

PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

**Lease Payments; Covenant to Appropriate**

Pursuant to the Lease Agreement, the County has agreed to make Lease Payments for the lease of the Property which are calculated to be sufficient to pay principal and interest due with respect to the Certificates. The County will also pay as additional payments ("Additional Payments"), amounts required for the payment of all costs and expenses incurred by the County to comply with the provisions of the Trust Agreement and the Lease Agreement or in connection with the execution and delivery of the Certificates. The County has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments in its annual budget and to make the necessary annual appropriations for all such payments. Under certain circumstances described under the Lease Agreement, however, Lease Payments are subject to abatement during periods of substantial interference with the County's use and occupancy of the Property or any portion thereof. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement."

**Insurance**

The County is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to one hundred percent (100%) of the replacement cost of the Property. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. The Property is fully insured against earthquake risk, subject to a 5% deductible.

To insure against loss of rental income caused by perils mentioned above, the County is required to maintain, or cause to be maintained throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property as a result of any of the hazards described above in an amount equal to two times the maximum annual Lease Payments.

Public liability and property damage insurance coverage is required in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the County and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the County. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The County shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the

Certificates, insuring the County's leasehold estate in the Property, subject only to Permitted Encumbrances.

See APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance.

**Abatement**

Pursuant to the Lease Agreement, Lease Payments will be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the County of the Property or any portion thereof (other than certain portions of the Property which have been modified by the County as described in the Lease Agreement) to the extent to be agreed upon by the County and the Corporation and communicated by a County Representative to the Trustee. The parties agree that amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in an exhibit attached to the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the factors identified related to fair rental value as discussed in the Lease Agreement), based upon the opinion of an MAI appraiser with expertise in valuing such properties, or based upon any other appropriate method of valuation, in which event the Lease Payments will be abated such that they represent said fair rental value. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a County Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the County waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement. However, if the value of the undamaged portion of the Property (including the value of the unimproved real property) equals or exceeds the outstanding principal amount of the Certificates, the County could not abate any Lease Payments. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance," APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Insurance and APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Abatement of Lease Payments in the Event of Damage or Destruction.

**Eminent Domain**

Pursuant to the Lease Agreement, if all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments under the Lease Agreement, in an amount to be agreed upon by the County and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the

Property. The Net Proceeds of such eminent domain award are required to be applied to the redemption of Certificates as provided in the Lease Agreement and the Trust Agreement.

**Optional Prepayment**

Pursuant to the Lease Agreement, the County has an option to prepay the principal components of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment and certain premiums. See "THE CERTIFICATES—Redemption—Optional Redemption."

Said option may be exercised with respect to Lease Payments due on and after October 15, 2026, in whole or in part on any date, commencing October 15, 2025. Said option shall be exercised by the County by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date (or such fewer number of days as shall be Acceptable to the Trustee). In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the County. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the County to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

**Mandatory Prepayment from Net Proceeds of Insurance, Title Insurance or Eminent Domain**

The County will be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose pursuant to the Lease Agreement and the Trust Agreement. The County and the Corporation agree that such Net Proceeds will be applied first to the payment of any delinquent Lease Payments, and thereafter will be credited towards the County's obligations under the mandatory prepayment provisions of the Lease Agreement. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the County to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. See "THE CERTIFICATES—Redemption—Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award."

**Substitution of Site or Facility**

*Substitution of Site or Facility*. The County shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the County shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the County shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Facility, the County shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iii) The County shall certify in writing to the Corporation and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the County, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the County is permitted to lease under the laws of the State;

(iv) The County delivers to the Trustee and the Corporation evidence that the value of the Property following such substitution is equal to or greater than the then Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(v) The Substitute Site and/or Substitute Facility shall not cause the County to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement;

(vi) The County shall obtain an amendment to the title insurance policy required pursuant to Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(vii) The County shall certify that the Substitute Site and/or the Substitute Facility is essential to the County as was the Former Site and/or the Former Facility;

(viii) The County shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the County; and

(ix) The County shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

*Release of Site*. The County shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the County shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The County shall file with the Corporation and the Trustee an amendment to the Lease Agreement which describes the Site, as revised by such release;

(ii) The County delivers to the Trustee and the Corporation evidence that the value of the Site, as revised by such release, is equal to or greater than the then Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the County to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(iv) The County shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release; and

(v) The County shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the County.

**Amendment of Lease Agreement**

The Corporation and the County may, at any time, amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (b) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved in the Lease Agreement to or conferred upon the County;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Corporation and the County may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

## THE COUNTY

**General**

Some of the notable attractions that draw visitors to Marin County and its cities include the Golden Gate Bridge, the Marin Headlands, Mount Tamalpais, Muir Woods, and the Point Reyes National Seashore.

The County government functions as a local government body to serve the needs of its residents. The County provides a vast array of services for all residents. This includes social services, public health protection, housing programs, property appraisal and assessments, tax collection, criminal prosecution, administration of the elections, public safety, library services, road maintenance, and fire protection. The

County also provides municipal services in the unincorporated areas and acts as administrative agents for state and federal government programs and services.

The County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The State and Federal government mandate certain minimum levels of health and public assistance services to be offered by the County.

**Government and Administration**

The County is governed by the five-member County Board elected to serve four-year terms. Other elected officials include the Assessor-Clerk-Recorder, District Attorney and Sheriff.

The County is a general-law county and is governed by the County Board of Supervisors (the "County Board"). The County has five districts that are approximately equal in population with boundaries adjusted every ten years following the latest United States census. The County Board Supervisors are elected by district based on population, as required by state law, and are required to live in the district they represent. Supervisors are elected to four-year staggered terms. Supervisors also elect a President, Vice President, and Second Vice President annually amongst themselves.

The County Board adopts policies, establishes programs, appoints non-elected department heads, and adopts annual budgets for all County departments. The County has three elected department heads: the Assessor-Recorder, District Attorney, and Sheriff-Coroner.

The County Board also serves as the governing board for several special districts, including the Open Space District, the Flood Control District, the Housing Authority, and the Marin Transit District. Each special district is separate from the County and has distinct roles, budgets, and staff. The Supervisors also serve on the boards of regional agencies and as ex-officio members on the boards of County service districts.

The County Administrator is appointed by the County Board and administers the day-to-day business of the County, providing research, information and recommendations, and aiding its executive function by providing management guidance and assistance. The County Administrator's Office (CAO) provides overall Countywide coordination of programs and services. The CAO annually prepares and monitors implementation of the budget adopted by the County Board, prepares the County's State and Federal Legislative Plan for the County Board, oversees implementation of the County's Strategic Plan and provides guidance for organizational development. The CAO is also responsible for direct oversight of Finance, Information Systems, Human Resources, Risk Management and Facilities Planning programs.

Averaging just over 2,000 full-time equivalent employees, the County government provides a full range of public services including public safety, roads and facilities, social services, administrative services, health services and leisure services. Typically, the department heads that run these operations, other than the elected department heads, are appointed by the County Board.

See APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY.

**Financial and Accounting Information**

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. County resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The various funds are grouped into fund categories as described below under the caption "COUNTY FINANCIAL INFORMATION" and APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

## COUNTY FINANCIAL INFORMATION

**Budgetary Process**

The County is required by State law to adopt a final budget by July 1 of each fiscal year. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for all governmental funds. The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the general and special revenue funds are included in the annually appropriated budget. The legal level of control for appropriations is exercised at the departmental fund level. Appropriations at this level may only be adjusted during the year with approval of the Board. The County Administrator may make adjustments at their discretion below that level. Such adjustments by the Board and the County Administrator are reflected in the revised budgetary data presented in the financial statements.

The annual budget serves as the foundation for the County's financial planning and control of expenditures. The legal level of budgetary control, where expenditures may not exceed appropriations, is at the object level (e.g., salaries and benefits) within a budget unit in a fund. Budget expenditures are enacted into law through the passage of an Appropriation Ordinance. The ordinance sets limits on expenditures, which cannot be changed except by subsequent amendments to the budget. 2014 General Fund Budgetary Highlights.

The annual budget must balance resources with expenditure appropriations in accordance with California State Government Code §29009. The Board requires the County Administrator's Office, in coordination with the Department of Finance, to ensure that expenses are controlled in such a manner that department budgets are not expended above the levels that are appropriated in the annual budget or beyond that which the County has the funds to pay.

More information concerning the County's budgetary process is included in the text of APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

**General Fund Budget**

During the 2014 fiscal year, there was $25.6 million, or 7% increase in appropriations between the original budget and the final amended budget. The major components of the increase were as follows.

Appropriations for general government function decreased by $4.8 million. This decrease is the result of the overall decrease in non-department expenditures to support various County's projects.

Appropriations for public protection function increased by $16.6 million. This increase is mainly due to the following two major groups of activities: public works projects and public safety programs. Approximately $8.9 million of this increase was due to the Phoenix Lake Integrated Regional Water Management Retrofit Project, Safe Pathway to Schools program, Proposition 84 ASBS, East Shore Wastewater Phase 2 project, various storm damage projects, the Countywide Watershed Stewardship Plan and the roof replacement project for the County's Emergency Operations Facility. Additionally, there was a $3.0 million increase in County fire salaries and overtime due to an increase in California state fire reimbursements, and a $1.0 million increase in the District Attorney Office expenditures.

Appropriations for public ways and facilities function increased by $7.6 million. This increase is mainly due to a $1.3 million increase for the Cal Park Tunnel project, $2.3 million increase in several multi-use pathways projects, $0.8 million increase for bike lanes, signs, and facilities projects, and other public work projects. This increase is mainly supported by a one-time $1 million surplus revenues from educational revenue augmentation fund (ERAF) received in fiscal year 2014 and use of prior year fund balance.

Appropriations for public assistance function increased by $4.3 million. This increase is mainly due to $4.6 million increase in public assistance eligibility, AIDS assistance payments and employments services programs, as a result of the increase in revenues from the Vehicle License Fees, the Public Safety Realignment and the Medi-Cal programs, the later resulting from the Affordable Healthcare Act. This increase is partially offset by a $0.3 million decrease as a result of cost recoveries in the planning programs.

Set forth in the following table is a summary statement of the adopted and final General Fund budget and its variance with the actual amounts for the fiscal years ended June 30, 2013 and June 30, 2014, along with the adopted General Fund budget for the fiscal year ending June 30, 2015.

**COUNTY OF MARIN**
**General Fund Budgets**
**For the Fiscal Years Ended June 30, 2013, June 30, 2014,**
**and the Fiscal Year Ending June 30, 2015**

| | FY Ending June 30, 2013 | | | FY Ending June 30, 2014 | | | FY Ending June 30, 2015 |
|---|---|---|---|---|---|---|---|
| | Budgeted Amounts Adopted | Budgeted Amounts Final | Actuals Variance Under/(Over) Final Budget | Budgeted Amounts Adopted | Budgeted Amounts Final | Actuals Variance Under/(Over) Final Budget | Budgeted Amounts Adopted |
| **Revenues** | | | | | | | |
| Taxes | $160,606,429 | $ 167,130,429 | $ (775,766) | $162,395,429 | $ 182,363,831 | $ 2,325,107 | 169,479,960 |
| Licenses and permits | 5,938,035 | 6,126,214 | 252,207 | 5,942,841 | 6,142,021 | 491,574 | 6,242,438 |
| Intergovenmental revenues | 72,251,112 | 113,071,361 | (21,124,857) | 72,078,508 | 109,137,828 | (18,902,938) | 79,818,713 |
| Charges for services | 44,048,875 | 47,081,679 | (4,126,965) | 41,915,460 | 48,048,550 | (1,777,755) | 43,399,499 |
| Fines and forfeits | 6,526,188 | 9,533,490 | 810,119 | 9,280,453 | 9,493,474 | (405,734) | 9,264,768 |
| From use of money and property | 3,333,973 | 2,238,671 | 368,258 | 2,690,321 | 2,776,321 | 169,825 | 2,791,021 |
| Miscellaneous | 1,255,648 | 5,509,285 | (450,568) | 942,907 | 989,114 | (328,862) | 1,012,439 |
| Total Revenues | 293,960,260 | 350,691,129 | (25,047,572) | 295,245,919 | 358,951,139 | (18,428,783) | 312,008,838 |
| **Expenditures** | | | | | | | |
| Current: | | | | | | | |
| General government | 72,842,570 | 117,037,436 | 8,162,743 | 72,303,594 | 67,462,319 | 6,047,266 | 77,349,165 |
| Public Protection | 130,921,247 | 147,397,268 | 16,026,810 | 136,022,401 | 152,667,576 | 13,838,916 | 138,254,622 |
| Public ways and facilities | 468,524 | 21,450,248 | 16,653,894 | 2,128,404 | 9,689,157 | 6,779,925 | 1,507,052 |
| Health and sanitation | 96,254,222 | 96,311,199 | 8,653,875 | 98,292,680 | 99,399,703 | 14,655,651 | 94,386,442 |
| Public assistance | 61,654,152 | 65,016,917 | 4,020,100 | 63,927,161 | 68,183,025 | 2,812,219 | 69,978,018 |
| Education | 595,772 | 927,269 | 11,001 | 506,518 | 644,677 | 11,032 | 566,054 |
| Recreation and cultural services | 8,519,504 | 9,786,409 | 1,595,038 | 8,724,693 | 9,543,198 | 428,298 | 8,826,245 |
| Capital Outlay | 2,746,864 | 4,383,599 | (2,667,469) | 2,987,952 | 2,887,351 | 420,460 | 1,833,266 |
| Debt Service – Principal | 42,071 | 174,576 | 18,174 | 147,641 | 160,924 | (5,186) | 147,641 |
| Debt Service – Interest | 30,016 | 73,462 | 13,825 | 69,432 | 58,355 | 5,323 | 69,432 |
| Total Expenditures | 374,074,942 | 462,558,383 | 52,487,991 | 385,110,476 | 410,696,285 | 44,993,904 | 392,917,937 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (80,114,682) | (111,867,254) | (27,440,419) | (89,864,557) | (51,745,146) | (26,565,121) | **(80,909,099)** |
| **Other Financing Sources** | | | | | | | |
| Other sources | - | - | 6,300 | - | - | - | |
| Transfers in | 61,855,702 | 75,512,194 | (7,439,426) | 63,278,577 | 77,700,068 | (11,816,476) | 68,146,042 |
| Transfers out | (9,074,725) | (31,211,141) | (9,029,290) | (12,704,476) | (21,178,752) | (4,960,824) | (15,283,031) |
| Total Other Financing Sources | 52,780,977 | 44,301,053 | (16,462,416) | 50,574,101 | 56,521,316 | (16,777,300) | 52,863,011 |
| **Net Change in Fund Balances** | (27,333,705) | (67,566,201) | 10,998,753 | (39,290,457) | 4,776,170 | 9,787,821 | **(28,046,088)** |
| **Fund Balances – Beginning of Year** | 181,875,574 | 181,875,574 | 23,465 | 125,276,713 | 125,276,713 | (800) | 139,839,904 |
| **Fund Balances – End of Year** | 154,541,869 | 114,309,373 | 11,022,218 | 85,986,257 | 130,052,883 | 9,787,021 | **111,793,816** |

Source: County of Marin 2013 and 2014 CAFRs and County of Marin Finance Department.

## Financial Statements

The County's Audited Financial Statements for the fiscal year ended June 30, 2014, which have been audited by Gallina LLP Certified Public Accountants (the "Auditor"), Roseville, California, are included in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014. The County has not requested nor has the Auditor given consent to the inclusion in such appendix of its report on such financial statements, nor have such accountants reviewed or performed any audit procedures in connection with the preparation of this

Official Statement. The County reports that there has been no material adverse change in the County's financial position since June 30, 2014.

The following financial information was compiled from the County's Audited Financial Statements and from the office of the Director of Finance. The financial and statistical information set forth herein does not purport to be a summary of the County's Audited Financial Statements. The County's Audited Financial Statements should be read in its entirety. The County's Audited Financial Statements are available on the County's website. The information on such website is not incorporated herein by such reference or otherwise. The Audited Financial Statements of the County for the year ended June 30, 2014, is attached to this Official Statement as APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014. The following data are for information purposes only and do not constitute the complete financial statements of the County.

The cash information presented for June 30, 2014 was compiled from the books and records of the County Director of Finance's office. Currently, cash information presented is unaudited. The County's 2015 Audited Financial Statements are expected to be available in December 2015.

The following table shows the County's general fund statement of revenues, expenditures and changes in net position for the five-year period beginning June 30, 2010 through June 30, 2014.

**COUNTY OF MARIN**
**General Fund Statement of Revenues, Expenditures and Changes in Fund Balances**
**Fiscal Years 2010-14**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** |
| **Revenues** | | | | | |
| Taxes | $ 166,273,455 | $ 161,714,322 | $ 168,187,629 | $ 166,354,663 | $ 184,688,938 |
| Licenses and permits | 5,707,638 | 5,686,307 | 6,606,173 | 6,378,421 | 6,633,595 |
| Intergovenmental revenues | 150,045,450 | 114,202,101 | 84,431,466 | 91,946,504 | 90,234,890 |
| Charges for services | 45,217,879 | 45,586,370 | 42,761,404 | 42,954,714 | 46,270,795 |
| Fines and forfeits | 11,309,281 | 12,757,914 | 10,921,897 | 10,343,609 | 9,087,740 |
| From use of money and property | 5,072,894 | 2,924,981 | 2,483,171 | 2,606,929 | 2,946,146 |
| Miscellaneous | 1,554,577 | 1,154,563 | 1,095,893 | 5,058,717 | 660,252 |
| Total Revenues | 385,262,174 | 344,026,558 | 316,487,633 | 325,643,557 | 340,522,356 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General government | 50,905,584 | 56,273,693 | 56,609,492 | 108,874,693 | 61,415,053 |
| Public protection | 131,968,211 | 132,876,955 | 126,980,071 | 131,370,458 | 138,828,660 |
| Public ways and facilities | 11,510,505 | 10,599,358 | 2,961,271 | 4,796,354 | 2,909,232 |
| Health and sanitation | 87,119,573 | 81,896,593 | 82,899,188 | 87,657,324 | 84,744,052 |
| Public assistance | 63,354,750 | 66,591,376 | 59,649,761 | 60,996,817 | 65,370,806 |
| Education | 805,005 | 662,790 | 460,113 | 916,268 | 633,645 |
| Recreation and cultural services | 7,718,321 | 7,918,263 | 8,323,395 | 8,191,371 | 9,144,900 |
| Capital outlay | 1,104,177 | 2,120,010 | 3,291,356 | 7,051,068 | 2,466,891 |
| Debt service – Principal | 42,057 | 43,904 | 75,743 | 156,402 | 166,110 |
| Debt service – Interest | 30,029 | 28,182 | 42,464 | 59,637 | 53,032 |
| Total Expenditures | 354,558,212 | 359,011,124 | 341,282,854 | 410,070,392 | 365,702,381 |
| **Excess (deficiency) of revenues over (under) expenditures** | 30,703,962 | (14,984,566) | (24,795,221) | (84,426,835) | (25,180,025) |
| **Other Financing Sources (Uses)** | | | | | |
| Other sources | 96,389 | 1,688,596 | - | - | - |
| Transfers in | 8,391,136 | 45,609,377 | 62,532,069 | 68,072,768 | 65,883,892 |
| Transfers out | (21,643,973) | (27,976,451) | (49,250,501) | (40,240,431) | (26,139,576) |
| Total Other Financing Sources (Uses) | (13,156,448) | 19,321,522 | 13,281,568 | 27,838,637 | 39,744,016 |
| **Net Change in Fund Balances** | 17,547,514 | 4,336,956 | (11,513,653) | (56,567,448) | 14,653,991 |
| **Fund Balances, Beginning** | 171,504,757 | 189,052,271 | 193,389,227 | 181,899,039(1) | 125,275,913(1) |
| **Fund Balances, End** | 189,052,271 | 193,389,227 | 181,875,574 | 125,331,591 | 139,839,904 |

Source: County of Marin CAFRs for fiscal years 2010 through 2014.
(1) Amounts restated from prior year.

The following table shows the County's general fund balance sheet for the five-year period beginning June 30, 2010 through June 30, 2014.

**COUNTY OF MARIN**
**General Fund Balance Sheet**
**Fiscal Years 2010-14**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** |
| **Assets** | | | | | |
| Cash and investments in County pool | $ 159,342,921 | $ 174,495,584 | $ 171,032,124 | $ 111,374,407 | $ 120,301,418 |
| Accounts receivable | 12,721,929 | 8,659,952 | 4,919,564 | 6,827,893 | 8,102,437 |
| Notes receivable – short term | 13,220,553 | 244,685 | - | - | - |
| Notes receivable – long term | 784,685 | - | 1,342,692 | 1,742,692 | 1,139,525 |
| Prepaid items | 517,029 | 91,561 | 1,233,281 | 2,295,221 | 2,287,366 |
| Due from other funds | 1,668,704 | 5,052,681 | 758,105 | 1,077,505 | 1,323,506 |
| Due from other governmental agencies | 16,831,572 | 21,057,618 | 18,287,566 | 19,178,486 | 24,393,660 |
| Advances to other funds | 1,560,000 | 1,040,000 | 520,000 | - | - |
| Inventory of supplies | 636,080 | 633,893 | 843,144 | 681,917 | 711,106 |
| Total Assets | 207,283,473 | 211,275,974 | 198,936,476 | 143,178,121 | 158,259,018 |
| **Liabilities** | | | | | |
| Accounts payable and accrued expenses | 6,784,946 | 6,259,861 | 3,948,597 | 3,925,328 | 5,905,197 |
| Accrued salaries and benefits | 3,994,211 | 4,813,174 | 7,832,754 | 8,871,080 | 7,477,531 |
| Due to other funds | - | - | 176,333 | 50,000 | - |
| Unearned revenue | 5,060,571 | 4,655,681 | 3,006,404 | 2,564,760 | 2,856,153 |
| Other liabilities | 2,391,474 | 2,158,031 | 2,096,814 | 2,435,362 | 2,180,233 |
| Total Liabilities | 18,231,202 | 17,886,747 | 17,060,902 | 17,846,530 | 18,419,114 |
| **Fund Balances (1)** | | | | | |
| Nonspendable | | 1,765,454 | 3,939,117 | 4,719,830 | 4,137,997 |
| Restricted | | 10,097,179 | 12,093,012 | 10,740,177 | 17,650,224 |
| Committed | | 118,593,320 | 114,628,535 | 68,600,588 | 77,384,472 |
| Assigned | | 48,096,547 | 44,626,225 | 37,094,588 | 36,770,748 |
| Unassigned | | 14,836,727 | 6,588,685 | 4,176,408 | 3,896,463 |
| Total Fund Balances | 189,052,271 | 193,389,227 | 181,875,574 | 125,331,591 | 139,839,904 |
| **Total Liabilities and Fund Balances** | 207,283,473 | 211,275,974 | 198,936,476 | 143,178,121 | 158,259,018 |

Source: County of Marin CAFRs for fiscal years 2010 through 2014.
(1) GASB Statement No. 54, which became effective in Fiscal Year 2010-11, requires that fund balance be categorized on a prospective basis as either: nonspendable, restricted, committed, assigned, or unassigned. Therefore, data for that fiscal year is not comparable to subsequent years.

## State Funding of Counties

Counties are the principal agents for providing services on behalf of the State, particularly in the areas of public health, welfare, judicial and corrections programs, as well as providers of local services in a variety of areas, including law enforcement, roads, parks, libraries, agriculture and various social service programs. Substantial portions of many of these services are implementations of State mandated programs and State administered federal programs supported by State and federal revenues. The tension between counties and the State is often the adequacy of State provided revenue for State mandated programs. Historically, the County has been able to reduce expenditures when necessary to match available funding sources, as required by law.

Currently, approximately 25.6% of the County's General Fund Budget consists of payments from other government agencies including the State of California. The financial condition of the State has an impact on the level of these revenues. In the past several years the State has turned to counties to help solve the State's budget problems. The federal government provides approximately 7.4% of the County's General Fund budget. The Health and Human Services department receives substantial state and federal funds for assistance payments and social services programs. The County Board has instructed the County

Administrator to ensure that programs funded with intergovernmental revenues live within any reduced allocations as a primary budget management strategy.

In connection with the issuance by the State of its deficit reduction bonds under Proposition 57, the State created a dedicated revenue stream secured by certain local sales taxes through a mechanism called the "Triple Flip." Under this method, beginning in fiscal year 2004-05, the State would take 25% of the local government 1% sales tax (cities & counties), to continue for nine years. Each January (six months into the fiscal year), the State would require that counties take property tax which was earmarked for schools and pay back the first six months of the sales tax takeaway to the local governments. The State would then have the counties pay the estimated next six months in May. The difference between the estimated and actual sales tax in one year would be corrected in the following year's payments. Then, the State, using State General Fund monies, would pay back the schools. The State repayment of County sales tax in fiscal year 2013-14 was $1,070,357.

In addition to the Triple Flip, which delayed the receipt of Sales Tax to local jurisdictions, the State of California cut the Motor Vehicle License Fees (VLF) that the citizens had to pay late in fiscal year 2003-04. The local share was then effectively cut by 67.5%. The State agreed to pay a VLF backfill to the local jurisdictions. This agreement has no defined end date. Again, the State had the counties take property tax from the schools to pay the local governments the VLF backfill and then the State General Fund would reimburse the schools for their lost property tax. The State payment for VLF backfill to the County for fiscal year 2012-13 was $10,866,404 and in fiscal year 2013-14 was $11,914,868.

**Sales Taxes**

The following table illustrates, for unincorporated areas of the County only, the historical taxable sales and sales tax receipts to the General Fund for the past five years as well as computed annual rate of change for such periods.

**COUNTY OF MARIN**
**Historical Taxable Sales and Sales Tax Receipts**
**Fiscal Years 2010-2014**
**(Amounts in thousands)**

| Year | Historical Taxable Sales (1) | Sales Tax Receipts (2) | Rate of Change Sales Tax Receipts |
|---|---|---|---|
| 2010 | $322,686 | $2,571 | -0.3% |
| 2011 | 337,104 | 2,784 | 8.3% |
| 2012 | 342,763 | 2,800 | 0.6% |
| 2013 | 347,725 | 2,914 | 4.1% |
| 2014 | 362,125 | 2,897 | -0.6% |

Source: State Board of Equalization for historical taxable sales; County of Marin Finance Department for sale tax receipts.
(1) Taxable Sales for unincorporated areas of the County only; presented on a calendar year basis.
(2) Sales Tax Receipts are for unincorporated areas of the County only; on a fiscal year basis.
(3) Estimated.

Among the information set forth in APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY is a profile of total taxable sales within the County for the past five years on a calendar year basis as reported by the State Board of Equalization.

**Property Taxes**

*Tax Levies, Collections and Delinquencies*. Property taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County. Property taxes collected in advance are recorded as deferred revenue and recognized as revenue in the year they become available. The County levies, bills and collects property taxes for the County. Property taxes paid to the County by the County within 60 days after the end of the fiscal year are "available" and are, therefore, recognized as revenue.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State/assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Secured and unsecured property taxes are levied based on the assessed value as of January 1, the lien date, of the preceding fiscal year. Secured property tax is levied on October 1 and due in two installments, on November 1 and March 1. Collection dates are December 10 and April 10 which are also the delinquent dates. At that time, delinquent accounts are assessed a penalty of 10%. Accounts that remain unpaid on June 30 are charged an additional 1.5% per month. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Treasurer.

Unsecured property tax is levied on July 1 and due on July 31, and has a collection date of August 31 which is also the delinquent date. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

*Assessed Valuation*. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

The passage of Assembly Bill 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a State-mandated local program requiring the assignment of the assessment value of all unitary and operating non-unitary property in each county of each State assessee other than a regulated railway company. The legislation established formulas for the computation of applicable county-wide rates for such property and for the allocation of property tax revenues attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each County to issue each State assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

*Assessment Appeals*. Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Each assessment appeal could result in a reduction of the taxable value of the real property, personal property or possessory interest of the property which is the subject of the appeal. Alternatively, an appeal may be withdrawn by the applicant or the Assessment Appeals Board may deny or modify the appeal at a hearing or by stipulation.

*Effect of Delinquencies and Foreclosures on Property Tax Collections*. As described above, once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage holder, all past due property taxes, penalties and interest are required to be paid before the property can be transferred to a new owner.

Set forth in the table below are assessed valuations for secured and unsecured property within the County for the five most recent fiscal years.

**COUNTY OF MARIN**
**Assessed Valuations**
**Fiscal Years 2010-11 to 2014-15**

| Fiscal Year | Local Secured | Unitary Utility | Non-Unitary Utility | Unsecured | Total |
|---|---|---|---|---|---|
| 2010-11 | $54,464,114,560 | $413,767,352 | $4,470,081 | $1,295,170,266 | $56,177,522,259 |
| 2011-12 | 54,853,875,922 | 457,134,251 | 5,010,892 | 1,292,751,436 | 56,608,772,501 |
| 2012-13 | 55,308,035,106 | 455,065,388 | 7,936,794 | 1,299,391,181 | 57,070,428,469 |
| 2013-14 | 57,469,230,064 | 455,486,618 | 7,936,794 | 1,301,719,716 | 59,234,373,192 |
| 2014-15 | 60,842,260,449 | 485,696,150 | 7,936,794 | 1,353,829,744 | 62,689,723,137 |

Source: California Municipal Statistics, Inc.

*Principal Taxpayers*. The following table sets forth the principal secured property taxpayers in the County as of fiscal year 2014-15.

**COUNTY OF MARIN**
**Largest Local Secured Property Tax Payers**
**Fiscal Year 2014-15**

| | Property Owner | Primary Land Use | 2014-15 Assessed Valuation | % of Total (1) |
|---|---|---|---|---|
| 1. | Skywalker Properties Ltd. | Commercial | $232,880,929 | .38% |
| 2. | RP Maximus Cove Owner LLC | Apartments | 138,208,326 | .23 |
| 3. | Northgate Mall Associates | Commercial | 136,547,395 | .22 |
| 4. | Corte Madera Village LLC | Commercial | 132,997,278 | .22 |
| 5. | Novato FF Property LLC | Commercial | 128,000,000 | .21 |
| 6. | SR Corporate Center Phase One & Two | Commercial | 113,704,290 | .19 |
| 7. | RPR Larkspur Owner LLC | Apartments | 104,735,710 | .17 |
| 8. | 770 Tamalpais Dr., Inc. | Commercial | 96,906,685 | .16 |
| 9. | Biomarin Pharmaceutical Inc. | Industrial | 94,937,533 | .16 |
| 10. | Hamilton Marin LLC | Commercial | 94,822,744 | .16 |
| 11. | Spieker Properties | Commercial | 93,225,223 | .15 |
| 12. | Steven J. Scarpa | Apartments | 86,590,599 | .14 |
| 13. | Strawberry Village Retail | Commercial | 72,857,069 | .12 |
| 14. | Marin Country Mart LLC | Commercial | 68,281,200 | .11 |
| 15. | JCC Cal Properties LLC | Commercial | 61,923,103 | .10 |
| 16. | REEP-OFC Drakes Landing CA LLC | Commercial | 61,000,000 | .10 |
| 17. | Belvedere Land Company | Apartments | 49,090,444 | .08 |
| 18. | Northbay Properties II | Apartments | 43,428,710 | .07 |
| 19. | Professional Investors Security Funds | Apartments | 41,639,988 | .07 |
| 20. | Bay Apartment Communities Inc. | Apartments | 41,597,687 | .07 |
| | | | $1,893,374,913 | 3.11% |

Source: California Municipal Statistics, Inc.
(1) 2014-15 Local Secured Assessed Valuation: $60,842,260,449.

*Teeter Plan*. The Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") has been adopted by 53 of the 58 counties, including the County, as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in a county receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. However, although a local agency receives the total levy for its property taxes without regard to actual collections, to the extent of a reserve established and held by its county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency. The Teeter Plan is to remain in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the county, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. The board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in its county. Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the County meets the Teeter Plan requirements, the County will receive 100% of the annual installments levied without regard to actual collections in the County. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures.

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIIIA that allows a temporary reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the current market value of real property is less than the current assessed (taxable) factored base year value as of the lien date, January 1. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIIIA of the California Constitution."

**Motor Vehicle In-Lieu Tax**

Vehicle license fees are assessed in the amount of 2% of a vehicle's depreciation market value for the privilege of operating a vehicle on California's public highways. A program to offset (or reduce) a portion of the vehicle license fees ("VLF") paid by vehicle owners was established by Chapter 322, Statutes of 1998. Beginning January 1, 1999, a permanent offset of 25% of the VLF paid by vehicle owners became operative. Various pieces of legislation increased the amount of the offset in subsequent years to the existing statutory level of 67.5% of 2% (resulting in the current effective rate of 0.65%). This level of offset was estimated to provide tax relief of $3.95 billion in the fiscal year 2003-04.

The following table sets forth the Motor Vehicle License Fees and Property Tax In-Lieu of VLF received by the County for the last four fiscal years.

**COUNTY OF MARIN**
**Property Tax In-Lieu of VLF**
**Fiscal Years 2010-11 to 2014-15**

| | FY2010-11 | FY2011-12 | FY2012-13 | FY2013-14 | Estimated Actuals FY2014-15 |
|---|---|---|---|---|---|
| Motor Vehicle License Fees | $13,855,966 | $10,971,727 | $10,866,404 | $11,914,868 | $12,397,781 |
| Property Tax In-Lieu of VLF | 24,400,797 | 24,570,525 | 24,773,439 | 25,720,142 | 27,218,896 |
| TOTAL | $38,256,763 | $35,542,252 | $35,639,843 | $37,635,010 | $39,616,677 |

Source: County of Marin Finance Department.

Senate Bill 89 was signed into law as part of the State's Fiscal Year 2011-12 Budget Act. SB 89 increases motor vehicle license fees ("VLF") by $12. This new funding source "frees up" $300 million of VLF revenue that had been used to fund DMV operations. Under the provisions of SB 89, this money is transferred to a new Local Law Enforcement Services Account ("LLESA") to fund law enforcement grants. In addition, beginning July 1, 2011, SB 89 transfers the remaining VLF revenue previously allocated to cities to the LLESA. Instead of cities receiving $130 million in VLF revenues, under SB 89 they would only receive $75 million in earmarked grants.

| | Property Owner | Primary Land Use | 2009-10 Assessed Local Secured Valuation | % of Total (1) |
|---|---|---|---|---|
| 1. | Pacific Gas and Electric Co. | Utility | $ 245,860,032 | 0.45% |
| 2. | Novato FF Property LLC | Insurance | 275,706,000 | 0.50 |
| 3. | Skywalker Properties LTD | Entertainment | 210,204,365 | 0.38 |
| 4. | JCC Cal Properties LLC | Real estate development | 54,140,901 | 0.10 |
| 5. | Corte Madera Village LLC | Retail | 126,606,478 | 0.23 |
| 6. | Spieker Properties | Real estate development | 134,870,935 | 0.24 |
| 7. | Hamilton Marin LLC | Real estate development | 91,347,088 | 0.17 |
| 8. | Northgate Mall Associates | Retail | 108,370,689 | 0.20 |
| 9. | Stellar Larkspur Partners | Real estate development | 89,633,400 | 0.16 |
| 10. | 770 Tamalpais Dr Inc | Holding company | 80,868,177 | 0.15 |
| TOTAL | | | 1,117,608,065 | 2.57% |

Source: Marin County Property Tax Records
(1) 2009-10 Local Secured Assessed Valuation: $55,163,849,466.

## Outstanding Obligations

As of June 30, 2014, the County was obligated to make payments on approximately $172,730,000 of then currently outstanding aggregate principal amount of long-term obligations payable from its General Fund, summarized as follows:

**COUNTY OF MARIN**
**Long-Term General Fund Obligations**

| Issue Activities | Date of Issue | Final Maturity | Amount Issued | Balance at June 30, 2014 |
|---|---|---|---|---|
| 2001 Certificates of Participation | 11/29/01 | 2032 | $ 14,100,000 | $ 10,835,000 |
| Taxable Pension Obligation Bonds, Series 2003 | 5/15/03 | 2027 | 112,805,000 | 106,085,000 |
| 2010 Certificates of Participation (1) | 10/13/10 | 2040 | 61,540,000 | 55,810,000 |
| Total Long-Term General Fund Obligations | | | $188,445,000 | $172,730,000 |

Source: The County.
(1) These certificates will be refunded with proceeds of the Certificates.

The County is a party to equipment leases and operating leases requiring annual lease payments by the County. See APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

## OTHER COUNTY FINANCIAL INFORMATION

## Labor Relations

There are 11 formal labor units, listed in the table below, representing County employees. Supervisors, management, confidential employees, certain attorneys and certain other employees are not represented by an exclusive bargaining agent. Salaries and benefits are determined through a process of "meet and confer" with representatives from each of these classifications. The aggregate total of represented employees is 2,091, though the County budgets just over 2,100 full-time equivalent (FTE) positions. The aggregate total of non-represented employees is 265. All employees' salaries are subject to periodic renegotiation.

**County of Marin**
**Labor Relations**
**As of March, 2015**

| Labor Organization | Contract Expiration |
|---|---|
| IATSE Local 16 | 7/14/15 |
| Marin County Deputy Sheriff's Association | 6/30/15 |
| Marin County Fire Operations Battalion Chiefs' Association | 6/30/16 |
| Marin County Fire Department Firefighters' Association | 6/30/16 |
| Marin County Management Employees' Association | 6/30/15 |
| Marin County Probation Manager's Association | 6/30/15 |
| Marin County Sheriff's Staff Officers' Association | 6/30/15 |
| Marin Association of Public Employees | 6/30/15 |
| SEIU Local 1021 – Nurses | 6/30/17 |
| Teamsters Local 856 – Deputy Probation Officers | 6/30/15 |
| Teamsters Local 856 – Deputy DA's | 6/30/15 |

Source: County of Marin.

## Employee Retirement Plans

*Plan Description*. The County's retirement plan is administered by the Board of Retirement of the Marin County Employees' Retirement Association (MCERA), a multiple-employer retirement system governed by the 1937 Act of the California Government Code. It covers employees eligible for membership and provides retirement, disability, death and survivor benefits based upon specified percentages of final compensation as well as annual cost-of- living adjustments after retirement. Contributions are made by both the County and the employees. Copies of MCERA annual financial reports which include required supplementary information (RSI) for each plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at www.mcera.org.

In addition to the County's retirement plan, MCERA administers the plans of the City of San Rafael, the Novato Fire Protection District, and several other special districts. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

*Funding Policy*. Members are required to contribute a percentage of their wages to the County's plan, based on their age at the time of entry into the Plan. Under the provisions of the County's pension plan, pension benefits vest after five years of credited service. The County's annual contributions are actuarially determined. The following assumptions were used in the most recent actuarial valuation as of June 30, 2013:

The annual real rate of return on plan assets is assumed to be 7.50%, net of investment and administrative expenses.

The cost of living, as measured by the Consumer Price Index (CPI), will increase at the rate of 3.25% per year.

Rate of salary increase is assumed to be 3.25% for the general plan and safety plan, plus service-based increases due to longevity and promotion.

The actuarial assumptions used in determining contribution requirements are the same as those used to compute the pension benefit obligation.

*Annual Pension Cost*. For the fiscal year ended June 30, 2013, the County's annual pension cost was $82,141,000.

Funding of the Plan is determined under the "entry age normal" method, which provides for funding of annual normal costs and the unfunded prior service costs (unfunded actuarial accrued liability) over a closed period of 17 years as a level percentage of payroll. This includes amortization of the unfunded present value of credited projected benefits.

The employer contribution rate, determined based on actual demographic and asset information, has decreased from 27.82% to 25.78% by 2% of active member payroll. The benefit provisions of the plan remained unchanged from the prior valuation.

Current assumptions are based on actuarial valuation as of June 30, 2013. The study was done by Cheiron.

**COUNTY OF MARIN**
**Net Pension Obligations**
**(Amounts in thousands)**

| Fiscal Year | Annual Pension Cost (APC) | % of APC Contributed | Actual Contributions |
|---|---|---|---|
| FY13 | $ 49,977 | 164.4% | $ 82,141 |
| FY12 | 46,041 | 103.3 | 47,541 |
| FY11 | 45,277 | 103.3 | 46,777 |

Source: County of Marin 2014 CAFR.

In addition to the annual required contribution, the County recognized an additional expense of $4,700,210, the current year amortization relating to the County's net pension asset. The change in the pension asset is as follows: Net pension assets at the beginning of the year were $65,802,900 and the net pension asset at end of the year was $61,102,690

**COUNTY OF MARIN**
**Funded Status of County Defined Benefits Pension Plan**
**(Amounts in thousands)**

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Annual Covered Payroll | UAAL as a % of Payroll |
|---|---|---|---|---|---|---|
| FY2013 | $ 1,217,739 | $ 1,560,672 | $ 342,933 | 78.0% | $ 178,152 | 192.49% |
| FY2012 | 1,101,390 | 1,491,924 | 390,534 | 73.8 | 170,483 | 229.08 |
| FY2011 | 1,065,255 | 1,436,008 | 370,753 | 74.2 | 175,397 | 211.38 |

Source: County of Marin 2014 CAFR.

See APPENDIX B—AUDITED FINANCIAL STATEMENT OF THE COUNTY FOR THE YEAR ENDED JUNE 30, 2014—Notes to Basic Financial Statements—NOTE 9.

## Other Post Employment Benefits

*Plan Description*. The County of Marin sponsors, and MCERA provides administrative services for, a single-employer defined- benefit postemployment healthcare plan (the Plan) to provide medical and dental insurance benefits to eligible retired employees. Benefit provisions are established and may be amended by the County.

Under the current practice, the County allows eligible service and disability retirees and their dependents to continue health coverage in the County's medical and dental plans. The County pays a portion of the premiums based on date of hire.

For retirees hired before October 1, 1987 (Plan 1), the County pays 100% of the eligible retiree's single health plan premiums.

For retirees hired between October 1, 1987 and September 30, 1993 (Plan 2), the County pays the retiree's single health plan premiums up to $2,275 per year.

For retirees hired between October 1, 1993 and December 31, 2007 (Plan 3), the County pays a percentage of the retiree's single premium up to a dollar cap based on years of service at retirement, where the dollar cap is reviewed each year. Through January 1, 2007 the cap was increased to cover single Anthem Blue Cross Prudent Buyer Classic and Delta Dental premiums. Due to the amount of unfunded liability the County faces, the Board of Supervisors has implemented a policy to limit annual increases in the maximum allocation for Plan 3 to no more than 3%, subject to annual approval regarding whether any increase will be granted and, if so, the amount of the increase. Cap increases were 3% effective January 1, 2008 and January 1, 2009. No cap increases have been adopted since that time. Currently, the Plan 3 cap is $8,853 per year.

For retirees hired on or after January 1, 2008 (Plan 4), the County pays $150 per year of service up to $3,000 per year for the retiree's single health plan premiums only.

Retirees eligible for Plans 1 and 2 may elect Plan 3 instead; and retirees eligible for Plans 1, 2, or 3 may elect Plan 4 instead.

Certain County medical plans have premium structures that result in subsidies of retiree claim costs from premiums paid for employees by the County.

The Housing Authority, which is a major fund, provides post-employment medical health care benefit to its retired employees and, in some instances, their spouses. Benefits include coverage in the CALPERS health plan. The Authority pays a portion of the premiums for the medial insurance for retirees. The majority of costs for this medical insurance costs is the responsibility of each retiree.
The Authority's retirees are eligible for membership in the plan upon retirement. Employees are eligible for retirement at age 50 and with 5 years of service or upon disability. As of December 31, 2012, the Authority had eight retirees who were eligible for the program and receiving benefits. The Authority had another forty-one active employees, who are eligible for the program, but are not receiving benefits due to the fact that they are not yet retired from the Authority.

The Marin Transit District provides a Simplified Employee Pension Plan (SEP Plan) and Section 457 deferred compensation plan to its directly hired employees. Marin Transit District contributed 10% of each employee's salary to the SEP plan during the year ended June 30, 2014, which amounted to $10,772, but made no contributions to the Section 457 plan. In August 2013, Marin Transit District's Board of Directors approved a Section 401(a) deferred contribution plan, to which Marin Transit District may contribute 10% - 15% of each employee's salary. The Section 401(a) plan will replace the SEP plan.

*Funding Policy*. The contribution policy is determined by the County. The County's Plan has been funded on a pay-as-you-go basis. In February 2013, the County entered into an irrevocable trust agreement with California Employers' Retiree Benefit Trust Program (CERBT) to pre-fund the County's OPEB through CalPERS, in addition to the County's regular pay-as-you go contributions. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, funds contributed to the trust are irrevocable and are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan. The County began pre-funding the full annual required contribution beginning in fiscal year 2012-13. For fiscal year 2013-14, the County contributed $12,584,000 to the CERBT, plus $10,990,309 through the regular pay-as-you go, for a total of $23,574,309 in premium payments for retirees, plus implied subsidy payments of $1,681,000 through active employee premiums.

The Housing Authority has adopted an entry age normal cost method to determine the present value of benefits and actuarial accrued liability. The plan currently has no assets. The amortization method is a level percent of payroll, which is identical to CALPERS. The amortization period is thirty years. The Authority has adopted a pay- as-you-go policy and is not currently funding this liability above the monthly requirement. The Authority makes actual monthly payments to its healthcare provider for its portion of the retirees' premiums. The payments for 2013 totaled $6,544. The Authority accrued the remaining actuarial determined liability of $76,006, to recognize expense in the current fiscal year.

The Marin Transit District does not currently provide other postemployment benefits (OPEB) to directly hired employees.

*Annual OPEB Cost and Net OPEB Obligation*. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. Both the ARC and the funded status information have been based on the assumption that the Plan 3 cap would increase over time to cover increases in Blue Cross Prudent Buyer Classic and Delta Dental premiums.

The Housing Authority's annual OPEB costs (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Interest on net OPEB obligation is based on the actuarial interest rate of 4.25% and is computed on the unfunded amount.

The following table presents the components of the County's Annual OPEB Cost for the year, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation.

**COUNTY OF MARIN**
**Net FY14 OPEB Obligations**

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Annual required contribution | $ 24,412,000 | $ 94,928 |
| Interest on net OPEB obligation | 5,347,000 | 15,555 |
| Adjustments to ARC | (4,706,000) | (27,933) |
| Annual OPEB cost (expense) | 25,053,000 | 82,550 |
| Contributions mad | 25,255,309 | (6,544) |
| Increase in net OPEB obligation | (202,309) | 76,006 |
| Net OPEB obligation, beginning of year | 97,930,442 | 366,000 |
| Net OPEB obligation, end of year | 97,728,133 | 442,006 |

Source: County of Marin 2014 CAFR.

The County's annual OPEB cost, the percentage of Annual OPEB Cost contributed to the Plan, and the net postemployment healthcare plan obligation were as follows:

**COUNTY OF MARIN**
**Historical Net OPEB Obligations**

| Fiscal Year | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|---|---|---|---|
| FY14 | $ 25,053,000 | 100.81% | $ 97,728,133 |
| FY13 | 25,218,000 | 154.15 | 97,930,442 |
| FY12 | 27,439,000 | 43.57 | 111,585,180 |

Source: County of Marin 2014 CAFR.

The Housing Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of December 31, 2013 were as follows:

**COUNTY OF MARIN**
**Housing Authority Historical Net OPEB Obligations**

| Fiscal Year | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|---|---|---|---|
| FY14 | $ 82,550 | 7.93% | $ 442,006 |
| FY13 | 114,490 | 4.80 | 360,253 |
| FY12 | 95,887 | 5.10 | 251,253 |

Source: County of Marin 2014 CAFR.

*Funded Status and Funding Progress*. The funded status of the plan based on the most recent actuarial valuation as of July 1, 2013, is as follows:

**COUNTY OF MARIN**
**UAAL as a % of Covered Payroll**

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 361,771,000 |
| Actuarial value of plan assets | 26,336,000 |
| Unfunded actuarial accrued liability (UAAL) | 335,345,000 |
| Funded ratio (actuarial value of plan assets/AAL) | 7.29% |
| Covered payroll (active Plan members) | 151,988,000 |
| UAAL as a percentage of covered payroll | 220.64% |

Source: County of Marin 2014 CAFR.

For the Housing Authority, as of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,041,780, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the current fiscal year was $2.6 million; therefore, unfunded actuarial accrued liability as a percentage of covered payroll is 39.7%.

*Actuarial Methods and Assumptions*. Actuarial calculations reflect a long-term perspective. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to constant revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point.

Specific actuarial assumptions selected by the Authority are: a) a discount rate of 4.25% per year, b) salary increases of 3.25% per year, c) funding method is entry age normal, d) the unfunded actuarial liability is amortized as a level percentage of salaries over an open 15-year period, e) mortality and retirement rates are taken from the 2010 CalPERS OPEB assumptions model, f) medical premiums are assumed to increase 4.5% per year after 2014, and g) 70% of future eligible retired employees are assumed to participate in this program.

The Unfunded Actuarial Accrued Liability (UAAL) was amortized over an open period of 29 years as a level percentage of projected payroll.

See APPENDIX B—AUDITED FINANCIAL STATEMENT OF THE COUNTY FOR THE YEAR ENDED JUNE 30, 2014—Notes to Basic Financial Statements—NOTE 10.

**Overlapping Debt**

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective March 1, 2015. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the County; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the County; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the County, as determined by multiplying the total outstanding debt of each agency by the percentage of the County's assessed valuation represented in column 2.

## COUNTY OF MARIN
## Direct and Overlapping Bonded Debt as of March 1, 2015

2014-15 Assessed Valuation: $62,689,723,137 (includes unitary utility valuation)

| OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 3/1/15 |
|---|---|---|
| Marin Community College District | 100. % | $218,510,000 |
| Novato Unified School District | 100. | 78,230,000 |
| Shoreline Joint Unified School District | 55.126 | 7,075,422 |
| Petaluma Joint Union High School District | 1.018 | 490,698 |
| San Rafael High School District | 100. | 42,595,315 |
| Tamalpais Union High School District | 100. | 132,610,000 |
| Larkspur-Corte Mader School District | 100. | 57,932,516 |
| Mill Valley School District | 100. | 65,731,329 |
| Reed Union School District | 100. | 34,010,000 |
| San Rafael School District | 100. | 50,324,835 |
| Other School Districts | 0.150-100. | 103,450,395 |
| Town of Fairfax | 100. | 5,524,700 |
| City of Novato | 100. | 13,280,000 |
| City of San Anselmo | 100. | 6,765,000 |
| City of Sausalito | 100. | 12,683,894 |
| Strawberry Recreation and Park District Zone No. 4 | 100. | 805,000 |
| Public Utility Districts | 100. | 117,760 |
| County Water Districts | 100. | 136,000 |
| Community Facilities Districts | 100. | 76,146,076 |
| 1915 Act Bonds | 100. | 24,947,622 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | $931,366,562 |
| | | |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | |
| **Marin County General Fund Obligations** | **100. %** | **$ 68,906,897**[1] |
| **Marin County Pension Obligation Bonds** | **100.** | **103,195,000** |
| Marin County Transit District General Fund Obligations | 100. | 150,627 |
| Marin Community College District General Fund Obligations | 100. | 2,675,834 |
| San Rafael School District General Fund Obligations | 100. | 3,650,000 |
| Sausalito-Marin City School District Certificates of Participation | 100. | 4,580,000 |
| Other School District General Fund Obligations | 0.150-1.018 | 66,599 |
| Town of Corte Madera General Fund Obligations | 100. | 9,416,687 |
| City of Novato Certificates of Participation and Pension Obligation Bonds | 100. | 18,752,455 |
| City of San Rafael General Fund and Pension Obligation Bonds | 100. | 12,848,561 |
| Other Cities and Towns General Fund and Pension Obligation Bonds | 100. | 13,430,766 |
| Marinwood Community Services District Certificates of Participation | 100. | 429,779 |
| Fire Protection District Certificates of Participation | 100. | 5,674,051 |
| Other Special District General Fund Obligations | 100. | 605,061 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $244,382,317 |
| Less: City of San Rafael obligations supported by enterprise revenues | | 6,200,000 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $238,182,317 |
| | | |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): | 100. % | $68,174,004 |
| | | |
| **TOTAL DIRECT DEBT** | | **$172,101,897** |
| TOTAL OVERLAPPING DEBT | | $1,071,820,986 |
| | | |
| GROSS COMBINED TOTAL DEBT | | $1,243,922,883[2] |
| NET COMBINED TOTAL DEBT | | $1,237,722,883 |

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt........................................1.49%
**Total Direct Debt ($172,101,897) ..............................................0.27%**
Gross Combined Total Debt..................................................................1.98%
Net Combined Total Debt.....................................................................1.97%

Ratios to Redevelopment Incremental Valuation ($4,003,857,174):

Total Overlapping Tax Increment Debt.................................................1.70%

Source: California Municipal Statistics, Inc.

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

**Risk Management**

*Workers Compensation*. The County is permissibly self-insured for the first $1,000,000 of workers' compensation claims per occurrence. The County provides for excess workers' compensation insurance above the $1,000,000 retention through a policy with Arch Insurance Company (AM Best Rate A XV) with statutory limits (optimum no limit coverage per claim). The latest independent actuarial analysis (September 2013), concludes that given program assets, as of June 30, 2014 the program is funded below 90% confidence level.

The actuarially determined outstanding claims liability, including incurred but not reported claims at marginally acceptable 70% confidence level, at June 30, 2014 is $23,969,000. The Board has adopted a funding policy that program assets be maintained at or above the 70% confidence level, including recognition of anticipated investment income.

*General Liability*. The County maintains a self-insured retention (SIR) of $1,000,000 per occurrence for its general liability program. Losses, which exceed the SIR, are covered by an excess insurance policy through Starr Indemnity & Liability Company (AM Best Rated AX) first layer, National Casualty Company (AM Best A+ XV) second layer, and Endurance Risk Solutions Assurance Co. (AM Best Rated A XV) third layer, for a combined limit of $25 Million. The latest independent actuarial analysis (August 2013), concludes that given program assets, as of June 30, 2014 the program is funded above the 90% confidence level.

The actuarially determined outstanding claims liability, including incurred but not reported claims at 80% confidence level, at June 30, 2014 is $5,016,000.

See APPENDIX B—AUDITED FINANCIAL STATEMENT OF THE COUNTY FOR THE YEAR ENDED JUNE 30, 2014—Notes to Basic Financial Statements—NOTE 7.

**Investments of County Funds; County Pool**

The County Investment Pool represents moneys entrusted to the County Treasurer-Tax Collector Treasurer by the County and schools and special districts within the County. State law requires that all moneys of the County, school districts and certain special districts be held by the County Treasurer-Tax Collector.

Moneys deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. All income is distributed to the participants based on the average daily balance.

The County Statement of Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. A copy of the County's Statement of Investment Policy is attached as APPENDIX C—COUNTY STATEMENT OF INVESTMENT POLICY. The Investment Policy is submitted to the County Board annually.

Funds on deposit with the Finance Director are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, no one investment of operating funds can exceed two years and the average maturity of pooled investment cannot exceed one year.

The County Investment Pool has never invested in derivatives or reverse repurchase agreements and such investments are not allowed by the County's Statement of Investment Policy.

As of June 30, 2014, the County Investment Pool had $761,148,959 in assets under management. The portfolio structure of the County Investment Pool as of June 30, 2014, was as follows:

| Investment Holdings | Book Value | % |
|---|---|---|
| Local Agency Investment Funds | $ 236,247.01 | 0.03% |
| Money Market Funds | 20,004,199.62 | 2.63 |
| Federal Agency - Coupon | 184,992,750.00 | 24.30 |
| Federal Agency - Discount | 555,380,985.39 | 72.97 |
| Misc.- Coupon | 534,777.00 | 0.07 |
| **TOTAL** | $761,148,959.02 | 100.00% |

Source: County of Marin Finance Department

The average days to maturity as of June 30, 2014, were 259 days.

The County believes that the County Investment Pool is prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the County's expenditures and other scheduled withdrawals.

In 1994, the County received its first rating from Fitch Ratings ("Fitch") on the County Investment Pool, which have been reaffirmed periodically by Fitch, most recently in August 2014. The current Fitch rating on the County Investment Pool is "AAA." The County Investment Pool's "AAA" rating reflects the high credit quality of the portfolio assets, appropriate management oversight and operational capabilities. The pool's "V1" volatility rating reflects low market risk and a capacity to return stable principal value to participants, as well as to meet anticipated cash flow needs, even in adverse interest rate environments. Portfolio valuation reports are submitted to Fitch on a monthly basis.

Fitch managed fund credit ratings are an assessment of the overall credit quality of a fund's portfolio. Ratings are based on an evaluation of several factors, including credit quality and diversification of assets in the portfolio, management strength, and operational capabilities. Fitch managed fund market risk ratings are an assessment of relative market risks and total return stability in the portfolio. Market risk ratings are based on, but not limited to, analysis of interest rate, derivative, liquidity, spread, and leverage risk. Fitch's managed fund credit and market risk ratings are based on information provided to Fitch by the County. Fitch does not verify the underlying accuracy of this information. These ratings do not constitute recommendations to purchase, sell or hold any security.

For additional information concerning the County investments, see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014, and APPENDIX C—COUNTY STATEMENT OF INVESTMENT POLICY.

## THE CORPORATION

The Corporation was organized on April 15, 1991, as a California nonprofit public benefit corporation. The Corporation was formed for the specific and primary purposes of benefiting California governmental agencies by participating with such governmental agencies in projects to maintain, improve and assist the activities of such governmental agencies by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, and assisting the governmental agencies in financing, acquiring and constructing of such projects, as well as other purposes as specified in the Corporation's articles of incorporation. The Corporation has no financial liability to the owners of the Certificates with respect to the payment of Lease Payments by the County or with respect to the performance by the District of the other agreements and covenants it is required to perform.

The Corporation functions as an independent entity and its policies are determined by a board of directors. Under the bylaws of the Corporation, the board of directors of the Corporation consist of at least two but no more than five directors, holding office for terms of six years. The Corporation has no employees and the directors of the Corporation receive no compensation for work or service performed as Corporation directors.

## RISK FACTORS

**INVESTMENT IN THE CERTIFICATES INVOLVES ELEMENTS OF RISK. THE FOLLOWING SECTION DESCRIBES CERTAIN SPECIFIC RISK FACTORS AFFECTING THE PAYMENT AND SECURITY OF THE CERTIFICATES. THE FOLLOWING DISCUSSION OF RISKS IS NOT MEANT TO BE AN EXHAUSTIVE LIST OF THE RISKS ASSOCIATED WITH THE PURCHASE OF THE CERTIFICATES AND THE ORDER OF DISCUSSION OF SUCH RISKS DOES NOT NECESSARILY REFLECT THE RELATIVE IMPORTANCE OF THE VARIOUS RISKS. POTENTIAL INVESTORS ARE ADVISED TO CONSIDER THE FOLLOWING FACTORS ALONG WITH ALL OTHER INFORMATION IN THIS OFFICIAL STATEMENT IN EVALUATING THE CERTIFICATES. THERE CAN BE NO ASSURANCE THAT OTHER RISK FACTORS NOT DISCUSSED UNDER THIS CAPTION WILL NOT BECOME MATERIAL IN THE FUTURE.**

### Limited Obligations with Respect to the Certificates

The obligation of the County to make Lease Payments under the Lease Agreement does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Lease Payments pursuant to the Lease Agreement constitutes an indebtedness of the County, State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations. The obligation of the County to make Lease Payments is in consideration of the County's right to the continued use and possession of the Property. In the event of failure of such use and possession, the County's obligation may be abated in whole or in part as described in this Official Statement, except to the extent of special funds, such as proceeds of rental interruption insurance and/or the Lease Payment Fund.

Although the Lease Agreement does not create a pledge, lien or encumbrance under the funds of the County, the County is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds, and the County has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments and Additional Payments.

**Real Estate Volatility**

Changes in the County's assessed valuation have occurred and will continue to occur while the Certificates are outstanding. Economic and other factors beyond the County's control, such as a general market decline in land values, reclassification of property to a class that is exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, terrorist activities, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the County and could thereby result in a decrease in the general revenues of the County.

**Lease Payments Are Not Debt**

The obligation of the County to make the Lease Payments under the Lease Agreement does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to make Lease Payments does not constitute a debt of the County, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the County has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The County is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the County, in its discretion, may determine to pay prior to the Lease Payments.

The County has the capacity to enter into other obligations payable from the County's general fund, without the consent of or prior notice to the Owners of the Certificates. To the extent that additional obligations are incurred by the County, the funds available to make Lease Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. The County's appropriations, however, have never exceeded the limitations on appropriations under Article XIIIB of the California Constitution. For information on the County's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Article XIIIB of the California Constitution."

**Valid and Binding Covenant to Budget and Appropriate**

Pursuant to the Lease Agreement, the County covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of APPENDIX D–FORM OF OPINION OF SPECIAL COUNSEL) to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the County.

**Abatement**

In the event of loss or substantial interference in the use and possession by the County of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments could be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the County's rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or redemption of the Certificates, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease Agreement does not constitute a default thereunder. However, if the value of the undamaged portion of the Property (including the value of the unimproved real property) equals or exceeds the outstanding principal amount of the Certificates, the County could not abate any Lease Payments.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

**No Acceleration Upon Default**

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to sell a fee simple interest in the Property and use the proceeds of such sale to prepay the Certificates or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

**Risk of Uninsured Loss**

The County covenants under the Lease Agreement to maintain certain insurance policies on the Property. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance." These insurance policies do not cover all types of risk, and the County need not obtain insurance except as available on the open market from reputable insurers. The Property could be damaged or destroyed due to a casualty for which the Property is uninsured. Additionally, the Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the County's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to redeem the Certificates. However, the Property is fully insured against earthquake risk, subject to a 5% deductible. Should the County be required to meet such deductible expenses, the availability of general fund revenues to make Lease Payments may be correspondingly affected.

**Eminent Domain**

If the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the County and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property. The County covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Property is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Property is condemned.

**Hazardous Substances**

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The County is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

**Earthquakes**

While the Property is fully insured against earthquake risk, subject to a 5% deductible, severe seismic activity in the County could impact the County's general fund revenues.

**Bankruptcy**

The County is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the County's debt (a "Plan") without the consent of the Trustee or all of the Owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the County could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the County's obligations to make payments thereunder.

**Pension Benefit Liability**

Many factors influence the amount of the County's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of PERS retirement system laws, changes in the level of benefits provided or in the contribution rates of the County, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the County to its pension plans as a result of which the County would be obligated to make additional payments to its pension plans in order to fully fund the County's obligations to its pension plans.

**Early Redemption Risk**

Early redemption of the Certificates may occur in whole or in part without premium, on any date if the Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance, or on any Interest Payment Date, without a premium (see "THE CERTIFICATES - Redemption"), if the County exercises its right to prepay Lease Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Trust Agreement.

## Risk of Tax Audit

In December 1999, as a part of a larger reorganization, the Internal Revenue Service (the "Service"), commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by Service officials indicate that the number of tax-exempt bond examinations (which would include securities such as the Certificates) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an examination of the Certificates was undertaken that it would not adversely affect the market value of the Certificates. See "TAX MATTERS." The County has not been contacted by the Service regarding the examination of any of its bond transactions.

## County General Fund

*In General*. The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of, and taxes and other governmental charges levied against, the Property) are payable from funds lawfully available to the County. If the amounts which the County is obligated to pay in a fiscal year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Lease Payments, based on the perceived needs of the County. See "COUNTY FINANCIAL INFORMATION" for a more detailed discussion of revenues deposited in and expenditures from the County's General Fund. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare. For more information regarding California Constitutional limits on expenditures see "LIMITATIONS ON REVENUES AND APPROPRIATIONS—Appropriations Limitations: Article XIIIB."

*Risk of Decreased Revenues*. A variety of national, state or regional factors, which are beyond the control of the County's fiscal policies, as well as the County's fiscal policies could reduce the amount of the County's General Fund revenues. To the extent that County revenues decrease, the funds available to pay Lease Payments could decrease.

## State Finances

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the County has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the County, the County will be required to make adjustments to its budget. As discussed in further detail under the caption "STATE OF CALIFORNIA BUDGET INFORMATION," the State's proposed 2009-10 budget contains a number of measures which impact the County's finances.

## Limited Recourse on Lease Agreement Default

If an event of default occurs and is continuing under the Lease Agreement, there will be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. The remedies provided for in the Lease Agreement include, in addition to all other remedies provided at law, authorizing the Trustee to re-enter and re-let the Property or, without terminating the Lease Agreement, collecting each installment of rent as it becomes due and holding the County liable therefor. If the Trustee does not terminate the Lease Agreement, the Trustee may be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest and could prove both expensive and time-consuming.

The Lease Agreement permits the Trustee, as the Corporation's assignee, to take possession of and re-let the Property in the event of a default by the County under the Lease Agreement. However, due to the fact that the Property serves essential governmental purposes, a court may determine to not permit such remedy to be exercised. Even if such remedy may be exercised, no assurance can be given that the Trustee could readily re-let the Property for rents which are sufficient to enable it to pay debt service on the Certificates in full when due.

**Limitations on Remedies**

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal, interest, and premium, if any, with respect to the Certificates or to preserve the tax-exempt status of interest with respect to the Certificates.

Special Counsel has limited its opinion as to the enforceability of the Certificates and the Trust Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Certificates are not subject to acceleration in the event of the breach of any covenant or duty under the Trust Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the owners of the Certificates, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State.

**Investment of Funds**

Funds held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement, respectively. See APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS. All investments, including Permitted Investments, authorized by law from time to time for investment by the County contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement could have a material adverse effect on the security for the Certificates.

**Future Initiative and Legislation**

As discussed herein under "LIMITATIONS ON REVENUES AND APPROPRIATIONS," the State's Constitutional initiative process has resulted in the adoption of measures which pose certain limits on the ability of cities and local agencies to generate revenues, through property taxes or otherwise. From time to time, other initiative measures could be adopted, affecting the County's ability to generate revenues and to increase appropriations. No assurances can be given as to the potential impact of any future initiative or legislation on the finances and operations of the County.

**Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates, the County has covenanted in the Lease Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest with respect to the Certificates under section 103 of the Code. Interest with respect to the Certificates could become includable in gross income for purposes of Federal income taxation retroactive to the date the Certificates were delivered, as a result of acts or omissions of the County in violation of the Code. Should such an event of taxability occur, the Certificates are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption or mandatory sinking fund redemption provisions of the Trust Agreement.

**Secondary Market Risk**

There can be no assurance that there will be a secondary market for purchase or sale of the Certificates, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the County.

**Changes in Law**

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the general fund revenues of the County and consequently, having an adverse effect on the security for the Certificates.

**Taxability Risk**

As discussed under the caption "TAX MATTERS," interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were delivered, as a result of future acts or omissions of the County in violation of its covenants in the Lease Agreement. There is no provision in the Certificates or the Trust Agreement for special redemption or acceleration or for the payment of additional interest should such an event of taxability occur, and the Certificates will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Trust Agreement.

In addition, as discussed under the caption "TAX MATTERS," Congress is or may be considering in the future legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. The County can provide no assurance that federal tax law will not change while the Certificates are outstanding or that any such changes will not adversely affect the exclusion of interest with respect to the Certificates from gross income for federal income tax purposes. If the exclusion of interest with respect to the Certificates from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the Certificates would be adversely impacted.

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

### Article XIIIA of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

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

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

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

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

Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property.

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

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

**Article XIIIB of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January l, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is, at the County's option, either (1) the percentage change in County population, or (2) the percentage change in County population.

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

**Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the County, to levy and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. However, the County does not presently believe that the potential financial impact on the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay its debt obligations and perform its other obligations payable from the General Fund as and when due.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax that the County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years of November 5, 1996. The County has not enacted, imposed, extended or increased any tax without voter approval since January 1, 1995. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIIIC also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. SB 919 provides that the initiative powers extended to voters under Article XIIIC likely excludes actions construed as impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIIIC or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIIC as they do in Article XIIID. Accordingly, the scope of the initiative power under Article XIIIC could include all sources of General Fund monies not received from or imposed by the federal or State government or derived from investment income.

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

Article XIIID of Proposition 218 adds several new requirements to make it more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 as any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the Lease Payments as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIIID also adds several provisions, including notice requirements and restrictions on use, affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIIID of Proposition 218 is not substantial. Accordingly, presently the County does not anticipate that any impact Proposition 218 may have on future fees and charges will not adversely affect the ability of the County to pay the Lease Payments as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

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

**Proposition 1A of 2004**

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 Fiscal Year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such shifting occurred in the 2009-10 Fiscal Year. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate then in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or 25 community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the finances of the County.

**Proposition 22**

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

**Proposition 26**

On November 2, 2010, the voters passed Proposition 26, which amends the State Constitution to require that certain state and local fees be approved by two-thirds of each house of the Legislature instead of a simple majority, or by local voters. The change in law affects regulatory fees and charges such as oil recycling fees, hazardous materials fees and fees on alcohol containers.

Proposition 26 included a provision that repealed State laws enacted between January 1, 2010, and November 2, 2010, that raised fees by a simple majority vote unless they were approved again by two-thirds of each house of the Legislature. The repeal became effective November, 2011.

The Legislative Analyst's Office was unable to specify Proposition 26's anticipated fiscal impact, but it estimated that passage of Proposition 26 would reduce government revenues and spending over time by up to billions of dollars annually compared to what otherwise would have occurred.

**Future Initiatives**

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

## STATE OF CALIFORNIA BUDGET INFORMATION

**State Budgets**

*Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2014-15 State Budget further described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

*State Budget for Fiscal Year 2014-15.* On June 20, 2014, the Governor approved the State Budget Act for Fiscal Year 2014-15 (the "2014-15 State Budget Act"), which projects Fiscal Year 2013-14 general fund revenues and transfers of $102.2 billion, total expenditures of $100.7 billion and a year-end surplus of $3.90 billion (inclusive of the $2.4 billion fund balance in the General Fund from fiscal year 2012-13), of which $955 million would be reserved for the liquidation of encumbrances and $2.95 billion would be deposited in a reserve for economic uncertainties. The 2014-15 State Budget Act projects Fiscal Year 2014-15 General Fund revenues and transfers of $105.5 billion, total expenditures of $108.0 billion and a year-end surplus of $1.40 billion (inclusive of the projected $3.90 million State General Fund balance as of June 30, 2014 which would be available for Fiscal Year 2014-15), of which $955 million would be reserved for the liquidation of encumbrances and $449 million would be deposited in a reserve for economic uncertainties. The 2014-15 State Budget Act projects that the State's multi-year budget will be balanced for the foreseeable future, but cautions that the unprecedented level of debts, deferrals, and budgetary obligations accumulated over the prior decade contribute to the State's fiscal challenges.

The Fiscal Year 2014-15 State Budget includes the constitutional amendment placed by the State Legislature on the November 2014 ballot proposing to change the formula by which the Rainy Day Fund is funded and to establish certain accounts therein. The Governor expects that the amendment, if approved by voters, will help the State minimize the volatility of future budgetary surplus and deficit cycles.

Features of the 2014-15 State Budget Act affecting counties in general include, but are not limited to, the following:

1. The 2014-15 State Budget Act continues to suspend all mandates suspended in the current year. The State estimates that it owes to counties, cities, and special districts approximately $900 million relating to mandate costs which were incurred prior to 2004. In accordance with State law, the State must repay such amounts by Fiscal Year 2020-21. The 2014-15 State Budget Act appropriates $100 million to local governments in Fiscal Year 2014-15. The State expects to allocate approximately 73% of this amount to counties, 25% to cities and 2% to special districts. The State expects that these amounts will be applied to fund local government services such as public safety and the implementation of the 2011 Public Safety Realignment. In addition, the 2014-15 State Budget Act provides that additional funds, in an amount not to exceed $800 million, will be provided if the State's estimated General Fund revenues for Fiscal Years 2013-14 and 2014-15 exceed the estimate set forth in the 2014-15 State Budget Act and sufficient moneys remain after payment of the Proposition 98 minimum guarantee for schools.

2. The 2014-15 State Budget Act includes an appropriation of approximately $351 million for loan repayments from the State's General Fund. The appropriation includes approximately $100 million for cities and counties for local streets and roads. The State expects that the majority of the remaining repayments will be allocated to pavement rehabilitation, maintenance projects on the State highway system and traffic management projects.

3. The 2014-15 State Budget Act estimates that in Fiscal Years 2011-12 and 2012-13 combined, cities received $620 million, counties receives $875 million, and special districts received $310 million in connection with the dissolution of redevelopment agencies in the State. The 2014-15 State Budget Act estimates that cities will receive approximately $593 million, counties will receive approximately $731 million and special districts will receive approximately $227 million in general purpose revenues in Fiscal Year 2013-14 and 2014-15 combined.

4. In connection with the State's water shortage, the 2014-15 State Budget Act notes that the State Legislature enacted emergency legislation in February 2014 to assist communities impact by the drought and improve management of water supplies. The State's legislation included, among other things, an allocation of approximately $549 million of bond proceeds for infrastructure grants for local and regional projects. In addition, the State has approved approximately $21 million of special funds and federal funds for the Department of Housing and Community Development and $25 million for the Department of Social Services for housing assistance and food assistance, respectively, to individuals impacted by the drought.

5. In connection with the 2014-15 State Budget Act, the Governor approved a trailer bill which authorizes approximately $500million of lease revenue bond financing authority for the

acquisition, design, and construction of local criminal justice facilities. Such authority will supplement the existing lease revenue bond authority provided by Assembly Bill 900 (2007) and Senate Bill 1022 (2012). The Governor expects these bond proceeds to be used for prove housing and to expand program and treatment space for the adult offender population. Recipients of the bond proceeds may use such amounts to replace existing housing capacity subject to certain conditions.

6. In connection with the 2014-15 State Budget Act, the Governor approved legislation which makes a "split-sentence" the default sentence for realigned offenders unless a court finds, in the interest of justice, that it is not appropriate in a particular case. Under a split-sentence, offenders serve a portion of their terms outside of jail. By increasing the number of offenders who receive split sentences, the State expects that probation departments will have a greater number of offenders under their supervision.

7. The State expects that there will be a temporary increase in the average daily population of offenders on post-release community supervision due to, among other things, additional credits earned by certain offenders. Accordingly, the 2014-15 State Budget Act allocates approximately $11.3 million for county probation departments to supervise such offenders. Pursuant to the 2011 Public Safety Realignment, the Governor expects that many of these offenders will be released to post-release community supervision which is a responsibility of county probation departments.

8. The 2014-15 State Budget Act provides funding for the Community Corrections Performance Incentive Grant Program in the amount of $124.8 million. The grant program will provide funds for county probation departments that have reduced the number of adult felony probationers going to county jail or State prison. In addition, the 2014-15 State Budget Act includes $8 million in one-time funding for each county relating to recidivism reduction (the "Community Recidivism Reduction Grants"). The State will require counties that receive such funds to provide Community Recidivism Reduction Grants to nongovernmental entities engaged in these areas less administrative costs.

9. The 2014-15 State Budget Act allocates $20 million for community reentry programs for mentally ill offenders who are within six to twelve months of release. These programs provide services to assist such offenders as the reintegrate into the community. Programs include, among other things, work training, education, living skills and substance use disorder and mental health treatment. In addition, the 2014-15 State Budget Act allocates $18 million for a competitive grant program seeking to reduce crimes committed by mentally ill individuals.

10. In connection with the State's 2011 Public Safety Realignment program, the State shifted the responsibility for trial court security costs to counties and allocated funding based on historical court security expenditures. The 2014-15 State Budget Act appropriates approximately $1 million of General Fund moneys for increased trial security costs, if any, relating to certain new court facilities if such facility requires an increased level of security compared to the former facility.

*State Budget for Fiscal Year 2015-16.* On January 9, 2015, the Governor introduced his proposed State budget for Fiscal Year 2015-16 (the "2015-16 Budget Proposal"). Significant details of the 2015-16 Budget Proposal include:

**Invests in Water, Flood Protection and Combating Climate Change**. The 2015-16 Budget Proposal includes the first $532 million in expenditures from the Proposition 1 water bond to continue the implementation of the Water Action Plan, the administration's five-year roadmap towards sustainable water management. Additionally, the 2015-16 Budget Proposal includes the last $1.1 billion in spending from the 2006 flood bond to bolster the state's protection from floods. It also proposes $1 billion in cap-and-trade expenditures for the state's continuing investments in low-carbon transportation, sustainable communities, energy efficiency, urban forests and high-speed rail. The successful implementation of these projects and continued and even steeper reductions in carbon pollutants are necessary to address the ongoing threat posed by climate change.

**Implements Strengthened Rainy Day Fund and Pays Off Debt**. Under the 2015-16 Budget Proposal, the state's Rainy Day Fund will have a total balance of $2.8 billion by the end of the year – an insurance policy against future economic downturns. The 2015-16 Budget Proposal spends an additional $1.2 billion from Proposition 2 funds on paying off loans from special funds and past liabilities from Proposition 98. In addition, the 2015-16 Budget Proposal repays the remaining $1 billion in deferrals to schools and community colleges, makes the last payment on the $15 billion in Economic Recovery Bonds that was borrowed to cover budget deficits from as far back as 2002 and repays local governments $533 million in mandate reimbursements.

**Increases K-12 School Spending by $2,600 Per Student Compared to 2011-12**. For K-12 schools, funding levels will increase by more than $2,600 per student in 2015-16 over 2011-12 levels. This reinvestment provides the opportunity to correct historical inequities in school district funding with continued implementation of the Local Control Funding Formula. Rising state revenues mean that the state can continue implementing the formula well ahead of schedule. When the formula was adopted in 2013-14, funding was expected to be $47 billion in 2015-16. The 2015-16 Budget Proposal provides almost $4 billion more – with the formula instead allocating $50.7 billion this coming year.

**Holds Tuition Flat for College Students**. University tuition almost doubled during the recession, creating a hardship for many students and their families. The 2015-16 Budget Proposal commits $762 million to each of the university systems that is directly attributable to the passage of Proposition 30. This increased funding is provided contingent on tuition remaining flat. All cost containment strategies must be explored before asking California families to pay even more for tuition.

**Expands Workforce Training**. The 2015-16 Budget Proposal provides over $1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment and apprenticeships. These funds are intended to provide training and education to workers in California so they can develop the skills they need for self-sufficiency and greater personal advancement.

**Provides Medi-Cal Health Care Coverage to 12.2 Million Californians**. Due principally to the implementation of federal health care reform, Medi-Cal caseload has increased from 7.9 million in 2012-13 to an estimated 12.2 million this coming year. The program now covers 32 percent of the state's population. This tremendous expansion of health care coverage for low-income Californians continues to be an administrative and financial challenge.

**Prefunds Retiree Health Care**. The state's unfunded liability for retiree health care benefits is currently estimated at $72 billion. State health care benefits for retired employees remain one of the fastest growing areas of the state budget: in 2001, retiree health benefits made up 0.6 percent of the General Fund budget ($458 million) but today absorb 1.6 percent ($1.9 billion). Without action, the state's unfunded liability will grow to $100 billion by 2020-21 and $300 billion by 2047-48. The 2015-16 Budget Proposal proposes a plan to make these benefits more affordable by adopting various measures to lower the growth in premium costs. The 2015-16 Budget Proposal calls for the state and its employees to share equally in the prefunding of retiree health benefits, to be phased in as labor contracts come up for renewal. Under this plan, investment returns will help pay for future benefits, just as with the state's pension plans, to eventually eliminate the unfunded liability by 2044-45. Over the next 50 years, this approach will save nearly $200 billion.

*May Revision to Proposed 2015-16 State Budget*. The May Revision to the 2015-16 State Budget (the "May Revision") was released by Governor Brown on May 14, 2015. The May Revision recognizes that the State has hundreds of billions of dollars in existing liabilities, including deferred maintenance on roads and other infrastructure and unfunded liability for future retiree health care benefits and various pension benefits for State employees. Overall, the May Revision reflects a $6.7 billion increase in General Fund revenues compared to the Proposed 2015-16 Budget. The State Constitution directs the use of these revenues to increase Proposition 98 General Fund spending by $5.5 billion for K-12 schools and community college districts, and under Proposition 2, to set aside $633 million in the Rainy Day Fund and to apply an additional $633 million to pay down debts and liabilities. The May Revision also commits new spending in three additional areas: (i) creating a California Earned Income Tax Credit to assist the State's low-income workers, allocating $380 million in benefits to two million low-income Californians; (ii) providing increased ongoing funding unfunded pension liabilities; and (iii) providing health care and other safety net services to currently undocumented immigrants who gain "Permanent Residence Under Color of Law" status under the President's executive actions. The May Revision focuses on the key elements of the Proposed 2015-16 Budget including carrying out the school district Local Control Funding Formula ("LCFF"), federal health care reform, public safety realignment, the Water Action Plan, and the Cap and Trade expenditure plan.

Significant adjustments set forth in the May Revision affecting local agencies include the following:

- Health Care Reform. Medi-Cal expansions have increased State General Fund costs by approximately $1 billion annually, rising to an expected $2 billion by fiscal year 2017-18 as the federal government begins to reduce its share of costs beginning in 2017. Under the May Revision, coverage will also be provided to immigrants who gain Permanent Residence Under Color of Law status under the President's executive actions. For Medi- Cal and other programs, this will add General Fund costs of an estimated $200 million when the federal changes are fully implemented ($62 million in fiscal year 2015-16).

- Drought Response. The May Revision includes an additional $2.2 billion of one-time resources to continue the State's response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

- Drug Costs. The May Revision allocates $228 million of the $300 million that was set aside for high-cost drugs in the Proposed 2015-16 Budget to the Department of Health Care Services, the Department of State Hospitals, and the Department of Corrections and Rehabilitation.

- Children's Health Insurance Program ("CHIP"). The Medicare Access and CHIP Reauthorization Act reauthorizes CHIP through September 2017 and includes enhanced federal funding for the CHIP program effective October 1, 2015. The May Revision includes General Fund savings of $381 million in fiscal year 2015-16.

- Affordable Care Act ("ACA"). Due to the continuing workload associated with implementing eligibility changes at county eligibility offices, the May Revision includes an additional $150 million ($48.8 million General Fund) in fiscal year 2015-16 for ACA -related eligibility determination workload.

- Mental Health. The May Revision includes $10.1 million General Fund to expand the Restoration of Competency Program by up to 108 beds to address the existing placement waitlist. The program provides for treatment of certain "Incompetent to Stand Trial" patients in county jails rather than inpatient treatment at a State hospital.

- Corrections. The Community Corrections Performance Incentive Grant provides incentives for counties to reduce the number of felony probationers sent to State prison. The May Revision proposes to update the funding formula to include all types of local felony supervision, refocus this grant on local supervision admissions to State prison, and reward counties' past success, augmenting this grant program by $1.1 million for a total of $125.8 million in fiscal year 2015-16.

- Water Infrastructure. The May Revision includes $1.8 billion Proposition 1 funds for various California Water Board programs, including $784 million for projects that prevent or clean up the contamination of groundwater that serves as a source of drinking water, $475 million for water recycling and advanced treatment projects to enhance local water supply resiliency, $180 million for projects, with priority given to small systems in disadvantaged communities, that help to provide clean, safe and reliable drinking water, and $160 million for small communities to build or upgrade their wastewater systems to meet current standards.

- Department of Water Resources ("DWR"). The May Revision includes $60 million to support local groundwater planning efforts, of which $50 million is available over the next three years for technical and direct assistance and grants to local agencies for groundwater sustainability governance and planning; $50 million, available over the next two years, to assist local agencies to develop new local water supplies through the construction of brackish water and ocean water desalination projects.

- Water Conservation. The May Revision includes $245 million to fund programs and projects that save water, including $43 million to implement consumer rebate programs for the replacement of inefficient water consuming appliances; $27 million Proposition 1 funds to replace lawns in underserved communities throughout the State; and $20 million Cap and Trade funds for the

DWR Water Energy Grant Program to reduce energy demand and greenhouse gas emissions through local projects that support water use efficiency and conservation.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2014-15 Budget (the current State budget), the Proposed 2015-16 Budget, the May Revision to the Proposed 2015-16 Budget and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. The Legislative Analyst's Office analysis of the Proposed 2015-16 State Budget is posted at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov. None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The County makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

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

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

## ABSENCE OF LITIGATION

At the time of delivery of and payment for the Certificates, the County will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the County or the Corporation affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the County and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the County or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the County or the Corporation or their authority with respect to the Certificates or any action of the County or the Corporation contemplated by any of said documents, nor, to the knowledge of the County or the Corporation, is there any basis therefor.

## CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the County has entered into an agreement with U.S. Bank National Association, as Trustee and Dissemination Agent (the "Dissemination Agent"), for the benefit of holders of the Certificates to provide certain financial information and operating data relating to the County, by not later than April 1 of each fiscal year commencing with the report for the 2014-15 fiscal year (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, if deemed by the County to be material. The Annual Information and notices of material events will be filed by the County or the Dissemination Agent, with the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access ("EMMA") system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The County has not failed, within the last five years, to comply in all material respects with its previous continuing disclosure undertakings.

## MUNICIPAL ADVISOR

The County has retained Wulff, Hansen & Co., San Francisco, California, as municipal advisor (the "Municipal Advisor") in connection with the execution and delivery of the Certificates. The fees of the Financial Advisor are contingent upon the sale and delivery of the Certificates.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify, from the information provided to it, the mathematical accuracy as of the date of the delivery of the Certificates of computations relating to the adequacy of the proceeds of the Certificates to be deposited in the Escrow Fund for the defeasance of the 2010 Certificates. The Verification Agent will also verify the yield of the Lease Agreement and on the Escrow Securities to be deposited in the Escrow Funds upon the delivery of the Certificates. The Verification Agent will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make a study or evaluation of the information and assumptions on which such computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

## LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Special Counsel. Special Counsel's opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL. Certain legal matters will also be passed on for the County by Quint & Thimmig LLP, as Disclosure Counsel, for the County by the County Counsel. The fees and expenses of Special Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Certificates.

## TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The County has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to the County's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Special Counsel, interest with respect to the Certificates (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest with respect to the Certificates is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

Special Counsel expects to deliver an opinion at the time of delivery of the Certificates in substantially the form set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL.

In rendering its opinion, Special Counsel will rely upon certifications of the County with respect to certain material facts within its knowledge. Special Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporations' taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest with respect to the Certificates.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public. The Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from the Issue Price, or purchase Certificates subsequent to the initial public offering, should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Certificate for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL.

## UNDERWRITING

The Certificates were awarded, after a competitive sale on June 18, 2015, to Morgan Stanley & Co. LLC (the "Underwriter") at a true interest cost of 3.730501% (3.734803 after resizing). The purchase price to be paid by the Underwriter is $82,383,859.05 (equal to the principal amount of the Certificates of $80,140,000, plus a net original issue premium of $2,581,188.45, less an Underwriter's discount of $337,329.40. The Underwriter intends to offer the Certificates to the public initially at the prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

Morgan Stanley, parent company of the Underwriter, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Underwriter may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Underwriter may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

## RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned the rating of "Aa2" and "AA+," respectively, to the Certificates. Such ratings reflect only the views of Moody's and S&P and an explanation of the significance of such ratings may be obtained from Moody's and S&P. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by Moody's and/or S&P, if in the judgment of Moody's and/or S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

## FINANCIAL STATEMENTS

The County's Audited Financial Statements for fiscal year ended June 30, 2014, are set forth in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL

YEAR ENDED JUNE 30, 2014. The Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

## ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

The County will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the County, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the County has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Certificates.

The execution and delivery of the Official Statement by the County have been duly authorized by the County Board on behalf of the County.

COUNTY OF MARIN

By /s/ Matthew H. Hymel
County Administrator

## APPENDIX A

## GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY

**General**

Marin County (the "County") is one of the original 27 counties of California, created February 18, 1850, following adoption of the California Constitution of 1849 and just months before the state was admitted to the Union. Marin County is well known for its natural beauty, liberal politics, and affluence. Marin County is among the leading counties in the United States in income per capita.

Marin County is included in the San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area. It is located across the Golden Gate Bridge from San Francisco. According to the U.S. Census Bureau, the county has a total area of 828 square miles (2,140 $km^2$), of which 520 square miles (1,300 $km^2$) is land and 308 square miles (800 $km^2$) (37.2%) is water. It is the fourth-smallest county in California by land area.

The County includes 11 incorporated cities and towns: Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon.

The County is linked to San Francisco by the Golden Gate Bridge to the South, Sonoma County to the North, San Pablo Bay and San Francisco Bay to the East, and the Pacific Ocean to the West. Most of the County's residents live along the eastern side, with a string of communities running along the San Francisco Bay. The rural coastal corridor and inland valleys feature vast acreage of land in agricultural production, as well as open space for tourism and recreation.

Some of the notable attractions that draw visitors to Marin County and its cities include the Golden Gate Bridge, the Marin Headlands, Mount Tamalpais, Muir Woods, and the Point Reyes National Seashore.

The County government functions as a local government body to serve the needs of its residents. The County provides a vast array of services for all residents. This includes social services, public health protection, housing programs, property appraisal and assessments, tax collection, criminal prosecution, administration of the elections, public safety, library services, road maintenance, and fire protection. The County also provides municipal services in the unincorporated areas and acts as administrative agents for state and federal government programs and services.

The County seat is San Rafael. The County is a general-law county and is governed by the County Board of Supervisors (the "County Board"). The County has five districts that are approximately equal in population with boundaries adjusted every ten years following the latest United States census. The County Board Supervisors are elected by district based on population, as required by state law, and are required to live in the district they represent. Supervisors are elected to four-year staggered terms. Supervisors also elect a President, Vice President, and Second Vice President annually amongst themselves.

The County Board adopts policies, establishes programs, appoints non-elected department heads, and adopts annual budgets for all County departments. The County has three elected department heads: the Assessor-Recorder, District Attorney, and Sheriff-Coroner.

The County Board also serves as the governing board for several special districts, including the Open Space District, the Flood Control District, the Housing Authority, and the Marin Transit District. Each special district is separate from the County and has distinct roles, budgets, and staff. The Supervisors also serve on the boards of regional agencies and as ex-officio members on the boards of County service districts.

The County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The State and Federal government mandate certain minimum levels of health and public assistance services to be offered by the County.

**Population**

The table below summarizes population of the County and the State for the past five years.

**Marin County and California**
**POPULATION**

| Year | Marin County | California |
|---|---|---|
| 2010 | 252,409 | 37,253,956 |
| 2011 | 253,040 | 37,427,946 |
| 2012 | 253,373 | 37,668,804 |
| 2013 | 254,696 | 37,984,138 |
| 2014 | 255,846 | 38,340,074 |

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2014, with 2010 Census Benchmark. Sacramento, California, May 2014. Dates as of January 1 of each year except 2010 which is measured as of April 1.

**Employment**

The following table summarizes the historical numbers of workers by industry in Marin County for the last five years:

**MARIN COUNTY**
**Labor Force and Industry Employment**
**Annual Averages by Industry**

| | 2009 | 2010 | 2011 | 2012 | 2013[1] |
|---|---|---|---|---|---|
| Total, All Industries | 103,400 | 101,900 | 103,200 | 106,100 | 109,600 |
| Total Farm | 500 | 500 | 400 | 400 | 400 |
| Total Nonfarm | 102,900 | 101,400 | 102,800 | 105,700 | 109,200 |
| Goods Producing | 8,200 | 7,800 | 7,600 | 7,600 | 7,900 |
| Mining, Logging and Construction | 6,200 | 5,800 | 5,600 | 5,500 | 5,600 |
| Manufacturing | 2,000 | 2,000 | 1,900 | 2,000 | 2,300 |
| Service Providing | 94,700 | 93,700 | 95,200 | 98,100 | 101,200 |
| Trade, Transportation & Utilities | 16,500 | 17,000 | 16,900 | 17,400 | 17,700 |
| Information | 2,000 | 2,100 | 2,600 | 2,800 | 2,900 |
| Financial Activities | 7,500 | 6,900 | 7,000 | 7,100 | 7,300 |
| Professional & Business Services | 18,500 | 18,300 | 17,700 | 18,500 | 19,000 |
| Educational & Health Services | 17,900 | 17,100 | 17,300 | 18,100 | 19,300 |
| Leisure & Hospitality | 12,700 | 12,200 | 12,900 | 13,700 | 14,500 |
| Other Services | 4,700 | 5,000 | 4,800 | 5,000 | 5,200 |
| Government | 15,000 | 15,000 | 16,000 | 15,500 | 15,400 |

Source: California Employment Development Department Industry Employment & Labor Force - by Annual Average, based on March 2013 benchmark.
(1) Last available full year data.
Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

The following tables summarize historical employment and unemployment for Marin County, the State of California and the United States for the past five years:

**MARIN COUNTY, CALIFORNIA, AND UNITED STATES**
**Civilian Labor Force, Employment, and Unemployment**
**(Annual Averages)**

| Year | Area | Labor Force | Employment | Unemployment | Unemployment Rate [1] |
|---|---|---|---|---|---|
| 2009 | Marin County | 132,000 | 121,800 | 10,200 | 7.7% |
| | California | 18,208,300 | 16,144,500 | 2,063,900 | 11.3 |
| | United States | 154,142,000 | 139,877,000 | 14,265,000 | 9.3 |
| 2010 | Marin County | 134,200 | 123,500 | 10,700 | 8.0% |
| | California | 18,316,400 | 16,051,500 | 2,264,900 | 12.4 |
| | United States | 153,889,000 | 139,064,000 | 14,825,000 | 9.6 |
| 2011 | Marin County | 136,900 | 126,900 | 10,100 | 7.4% |
| | California | 18,384,900 | 16,226,600 | 2,158,300 | 11.7 |
| | United States | 153,617,000 | 139,869,000 | 13,747,000 | 8.9 |
| 2012 | Marin County | 139,800 | 130,900 | 8,800 | 6.3% |
| | California | 18,494,900 | 16,560,300 | 1,934,500 | 10.5 |
| | United States | 154,975,000 | 142,469,000 | 12,506,000 | 8.1 |
| 2013 | Marin County | 141,900 | 134,700 | 7,200 | 5.0% |
| | California | 18,596,800 | 16,933,300 | 1,663,500 | 8.9 |
| | United States | 155,389,000 | 143,929,000 | 11,460,000 | 7.4 |

Source: California Employment Development Department Industry Employment & Labor Force - by Annual Average, based on March 2013 benchmark and US Department of Labor, Federal Bureau of Labor Statistics

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

**Major Employers**

The table below sets forth the principal employers of the County.

**MARIN COUNTY**
**2015 Principal Employers**

| Employer Name | Location | Industry |
|---|---|---|
| Autodesk Inc | San Rafael | Computer Programming Services |
| Bradley Real Estate | Belvedere Tiburon | Real Estate |
| Cagwin & Dorward Landscape | Novato | Landscape Contractors |
| California Alpine Club | Mill Valley | Clubs |
| College of Marin | Kentfield | Schools-Universities & Colleges Academic |
| Community Action Marin | San Rafael | Social Service & Welfare Organizations |
| Corrections Dept | San Quentin | State Govt-Correctional Institutions |
| Extreme Pizza | San Rafael | Pizza |
| Fireman's Fund Insurance Co | Novato | Insurance |
| Kaiser Permanente Medical Ctr | San Rafael | Hospitals |
| Kentfield Rehabilitation Hosp | Kentfield | Rehabilitation Services |
| Lucas Licensing | Nicasio | Video Production & Taping Service |
| Macy's | Corte Madera | Department Stores |
| Managed Health Network Inc | San Rafael | Mental Health Services |
| Marin Community College | Kentfield | Schools-Universities & Colleges Academic |
| Marin County Sheriff's Dept | San Rafael | Sheriff |
| Marin General Hospital | Greenbrae | Hospitals |
| Nordstrom | Corte Madera | Department Stores |
| Novato Community Hospital | Novato | Hospitals |
| San Rafael Human Resources | San Rafael | Government Offices-City, Village & Twp |
| Sonnen Motorcars | San Rafael | Automobile Dealers-New Cars |
| Sutter Health Facility | Novato | Hospitals |
| Township Building Svc Inc | Novato | Janitor Service |
| Westamerica Bancorp | San Rafael | Holding Companies (Bank) |
| YMCA | San Rafael | Youth Organizations & Centers |

Source: California Employment Development Department – Major Employers by County. Data retrieved March 9, 2015.

**Construction Activity**

The following tables reflects the five-year history of building permit valuation for the County:

**MARIN COUNTY**
**Building Permits and Valuation**
**(Dollars in Thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Permit Valuation: | | | | | |
| New Single-family | 42,437 | 59,252 | 35,394 | 36,152 | 59,423 |
| New Multi-family | 18,9258 | - | 7,621 | 4,927 | 33,397 |
| Res. Alterations/Additions | 138,760 | 144,548 | 160,275 | 132,762 | 152,065 |
| Total Residential | 200,126 | 203,800 | 203,290 | 173,842 | 244,885 |
| Total Nonresidential | 115,500 | 93,279 | 82,031 | 118,071 | 378,771 |
| Total All Building | 315,627 | 297,080 | 285,321 | 291,914 | 623,657 |
| New Dwelling Units: | | | | | |
| Single Family | 65 | 75 | 55 | 67 | 90 |
| Multiple Family | 97 | - | 61 | 50 | 212 |
| Total | 162 | 75 | 116 | 117 | 302 |

Source: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

## Commercial Activity

Taxable sales in the County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

**TAXABLE SALES, 2008-2012**
**MARIN COUNTY**
**(Dollars in thousands)**

| | 2008 |
|---|---|
| Retail Stores | |
| Apparel Stores | $ 201,820 |
| General Merchandise | 402,168 |
| Food Stores | 213,437 |
| Eating and Drinking | 442,979 |
| Household Group | 206,525 |
| Building Material Group | 277,548 |
| Automotive Group | 486,808 |
| Service Stations | 337,412 |
| All Other Retail Stores | 505,997 |
| Retail Stores Totals | 3,074,694 |
| Business & Personal Services | 199,636 |
| All Other Outlets | 884,569 |
| Total All Outlets(2) | 4,158,899 |

| | 2009 (1) | 2010 (1) | 2011 (1) | 2012 (1)(3) |
|---|---|---|---|---|
| Retail and Food Services | | | | |
| Motor Vehicles and Parts Dealers | $ 434,910 | $ 485,061 | $ 523,483 | $ 610,028 |
| Furniture and Home Furnishings Stores | 106,960 | 109,379 | 117,090 | 118,307 |
| Electronics and Appliance Stores | 129,928 | 123,308 | 123,608 | 120,099 |
| Bldg Mtrl. and Garden Equip. and Supplies | 246,690 | 237,664 | 254,092 | 272,110 |
| Food and Beverage Stores | 246,161 | 259,294 | 266,823 | 277,873 |
| Health and Personal Care Stores | 109,301 | 114,342 | 121,051 | 122,472 |
| Gasoline Stations | 258,624 | 301,124 | 371,618 | 400,211 |
| Clothing and Clothing Accessories Stores | 243,655 | 263,834 | 280,098 | 305,000 |
| Sporting Goods, Hobby, Book and Music Stores | 128,490 | 131,862 | 138,838 | 137,827 |
| General Merchandise Stores | 261,529 | 265,063 | 273,199 | 281,325 |
| Miscellaneous Store Retailers | 157,795 | 157,970 | 182,054 | 184,154 |
| Nonstore Retailers | 26,001 | 25,596 | 26,884 | 41,692 |
| Food Services and Drinking Places | 418,831 | 422,951 | 455,433 | 486,787 |
| Total Retail and Food Services | 2,768,875 | 2,915,477 | 3,134,270 | 3,357,884 |
| All Other Outlets | 891,160 | 918,692 | 915,599 | 975,716 |
| Totals All Outlets(2) | 3,660,036 | 3,834,169 | 4,049,869 | 4,333,600 |

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Starting in 2009, categories were revised from prior years.
(2) Totals may not add up due to independent rounding.
(3) Last available full year data.

**Median Household Income**

The following table summarizes the median household effective buying income for the County, the State of California and the nation for the past five years.

**MARIN COUNTY, CALIFORNIA AND UNITED STATES**
**Effective Buying Income**

| Year | Area | Total Effective Buying Income (000's Omitted) | Median Household Effective Buying Income |
|---|---|---|---|
| 2010 | Marin County | $ 10,453,585 | $ 68,688 |
| | California | 801,393,028 | 47,177 |
| | United States | 6,365,020,076 | 41,368 |
| 2011 | Marin County | $ 10,592,305 | $ 68,667 |
| | California | 814,578,457 | 47,062 |
| | United States | 6,438,704,663 | 41,253 |
| 2012 | Marin County | $ 11,615,363 | $ 69,129 |
| | California | 864,088,827 | 47,307 |
| | United States | 6,737,867,730 | 41,358 |
| 2013 | Marin County | $ 10,035,970 | $ 61,675 |
| | California | 858,676,636 | 48,340 |
| | United States | 6,982,757,379 | 43,715 |
| 2014 | Marin County | $ 11,636,360 | $ 74,420 |
| | California | 901,189,699 | 50,072 |
| | United States | 7,357,153,421 | 45,448 |

Source: The Nielsen Company (US), Inc.

# APPENDIX B

## AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The Auditor was not requested to consent to the inclusion of its report in this Appendix B and it has not undertaken to update financial statements included in this Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

THIS PAGE INTENTIONALLY LEFT BLANK

# COUNTY OF MARIN, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**COUNTY OF MARIN DEPARTMENT OF FINANCE**

This page intentionally left blank

# COUNTY OF MARIN, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**County of Marin**
**Department of Finance**

If you are a person with a disability and require information or materials in alternative formats (such as, Braille, large print, audiotape or CD-ROM), or if you require accommodation to participate in a county program, service or activity, please contact department staff at 415-473-6154; Voice/CRS dial 711.

# COUNTY OF MARIN

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Table of Contents

**COUNTY OF MARIN**

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Table of Contents

# COUNTY OF MARIN

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Table of Contents

# INTRODUCTORY SECTION

This page intentionally left blank

COUNTY OF MARIN

DEPARTMENT OF FINANCE
Excellent and responsive fiscal leadership.

Roy Given, CPA
DIRECTOR

Cristine Alilovich
ASSISTANT DIRECTOR

Marin County Civic Center
3501 Civic Center Drive
Suite 225
San Rafael, CA 94903
415 473 6154 T
415 473 3680 F
CRS Dial 711
www.marincounty.org/dof

January 30, 2015

To the Honorable Members of the Board of Supervisors,
Citizens of the County of Marin, California:

We are pleased to present the County of Marin's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The County of Marin employees remain committed to reach and maintain the highest possible standards in financial reporting now and in the future.

This report was prepared by the County of Marin's Department of Finance in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). Recommended guidelines by the Government Finance Officers Association (GFOA) of the United States and Canada were also followed.

California law requires that every local government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Management asserts that, to the best of our knowledge, the information presented in this report is accurate in all material respects and presents fairly the financial position of the various funds and component units of the County of Marin, including all disclosures necessary to understand the County's activities.

The County's financial statements have been audited by Gallina LLP, a registered public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP, and are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion on the County's financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is presented in the first component of the financial section of this report.

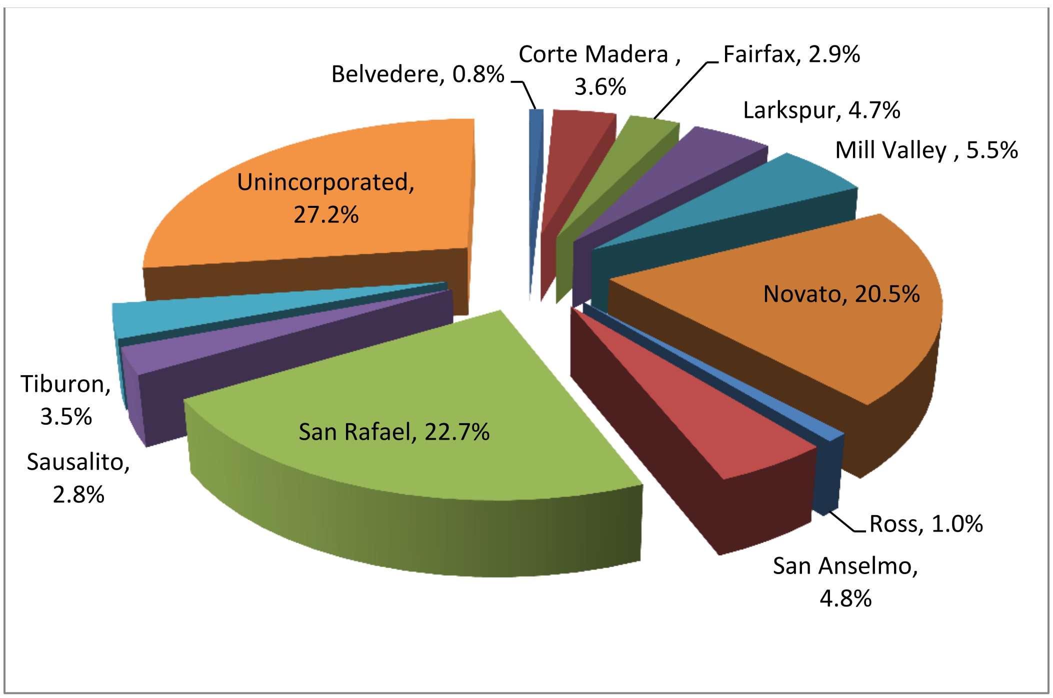
The CAFR represents the culmination of all budgeting and accounting activities engaged in by management during the fiscal year. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A), which is presented after the independent auditor's report. This letter of transmittal is designed to complement the MD&A, and therefore should be read in conjunction with it.

**PROFILE OF THE GOVERNMENT**

The County of Marin is one of the nine counties in the San Francisco-Oakland Bay Area, and was established in 1850 as one of California's original 27 counties following the adoption of the Constitution of 1849. The County of Marin currently occupies 520 square miles and includes 11 incorporated cities and towns: Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon. The County is linked to San Francisco by the Golden Gate Bridge to the South, Sonoma County to the North, San Pablo Bay and San Francisco Bay to the East, and the Pacific Ocean to the West. Most of the County's 258,365 residents live along the eastern side, with a string of communities running along the San Francisco Bay. The rural coastal corridor and inland valleys feature vast acreage of land in agricultural production, as well as open space for tourism and recreation. Some of the notable attractions that draw visitors to Marin County and its cities include the Golden Gate Bridge, the Marin Headlands, Mount Tamalpais, Muir Woods, and the Point Reyes National Seashore.

The County government functions as a local government body to serve the needs of its residents. As geographical and political subdivisions of the state, counties serve a dual role that differs from cities. The County provides a vast array of services for all residents. This includes social services, public health protection, housing programs, property appraisal and assessments, tax collection, criminal prosecution, administration of the elections, public safety, library services, road maintenance, and fire protection.

The County also provides municipal services in the unincorporated areas and acts as administrative agents for state and federal government programs and services. As illustrated in the chart below, the unincorporated area, for which the County of Marin provides municipal services, represents 26.5% of the total County population. The rest of Marin County's residents of the incorporated areas, as illustrated in the chart below, receive services from one of the 11 different municipal governments within the County.




California Department of Finance May 2014

As a general-law county, Marin County is bound by state law as to the number of duties of County elected officials. The County has five districts that are approximately equal in population with boundaries adjusted every ten years following the latest United States census. Under California's Constitution and laws, the five members of the Marin County Board of Supervisors serve as the legislative and executive Board of Marin County. The members are elected by district based on population, as required by state law, and are required to live in the district they represent. Supervisors are elected to four-year staggered terms.

Supervisors also elect a President, Vice President, and Second Vice President annually amongst themselves. The Board adopts policies, establishes programs, appoints non-elected department heads, and adopts annual budgets for all County departments. The County has three elected department heads: the Assessor-Recorder, District Attorney, and Sheriff-Coroner.

The Board also serves as the governing board for several special districts, including the Open Space District, the Flood Control District, the Housing Authority, and the Marin Transit District. Each special district is separate from the County and has distinct roles, budgets, and staff. The Supervisors also serve on the boards of regional agencies and as ex-officio members on the boards of County service districts.

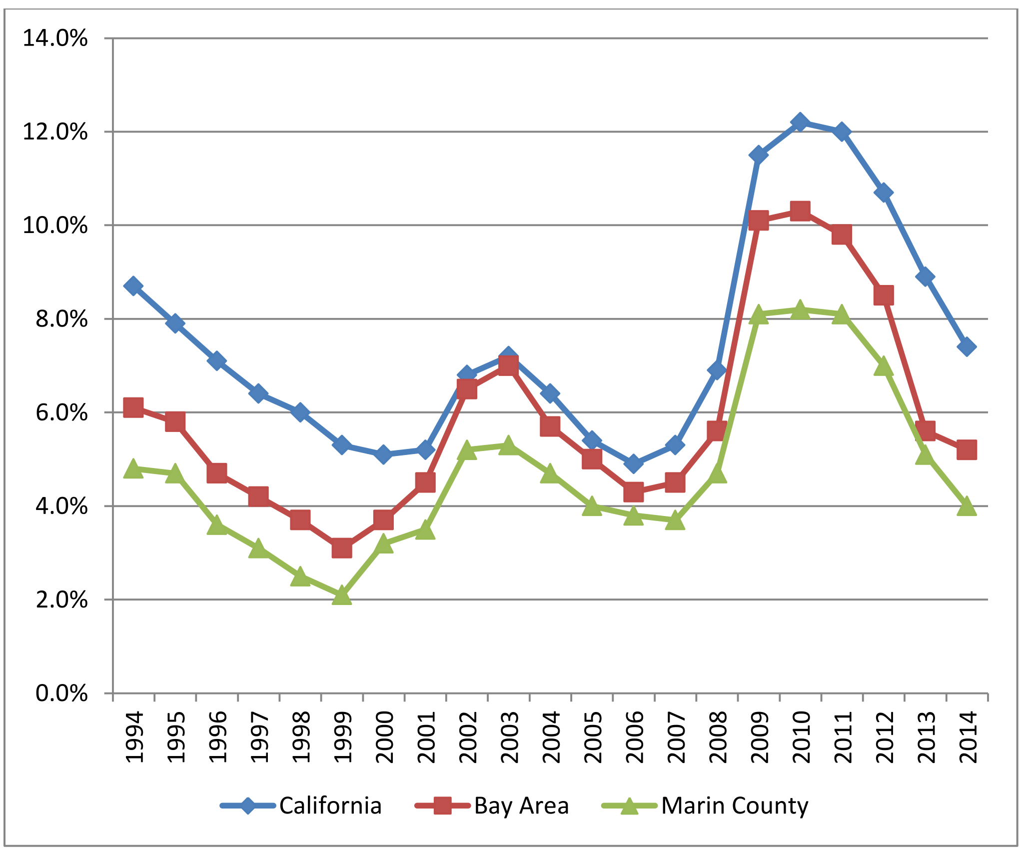
The County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The State and Federal government mandate certain minimum levels of health and public assistance services to be offered by the County.

### FINANCIAL CONDITION

Economic Indicators

The local economy in 2014 continues to be in an economic recovery after signs of stabilization appeared in 2011.

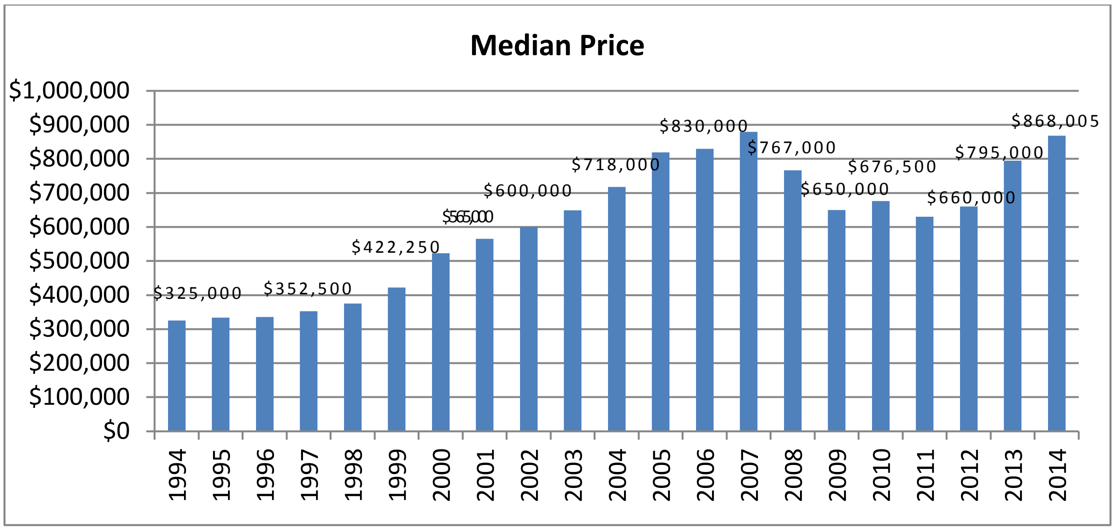
- Employment: By June 30, 2014 the County's unemployment rate was 4% (not seasonally adjusted), which is a 1.1% decline from June 30, 2013, and continues to be lower than the annual national average of 6.8%.The chart below illustrates Marin County's relatively low unemployment rate compared to the Bay Area and California from 1994 through 2014.




**U.S. Department of Labor Statistics 2014**

At the time of the publication, Marin's December 2014 unemployment rate had fallen to 3.4% - the lowest unemployment rate of all Counties in the State.

- Real Estate: Given that property tax revenues make up the County's largest source of discretionary revenue, the health of the local real estate market and the associated changes in assessed property values are key indicators of the County's financial outlook. Overall, home prices within Marin County increased by 9% from 2013. The chart below demonstrates that the median sale price for detached and attached single-family homes has been steadily increasing since 2012, and prices have surpassed what they were when they started to fall in 2008. The real estate market is recovering in Marin County, and the home prices are increasing again, which will result in higher tax revenue in the upcoming years.




Marin County Assessor, 2014

A Balanced Budget

Greater financial stability at the federal and particularly the state level has resulted in more predictable revenues and created an opportunity for a longer term budget. This resulted in County's first two-year budget.

As the economy has improved, property tax and sales tax revenues have rebounded. As a result, the County is projecting moderate revenue growth over the next two years. This growth is offset by estimated salary and benefit costs for the County's workforce - including cost of living adjustments (COLA) for most staff consistent with bargaining agreements through June, 2015. This COLA represents the first COLA for most County staff in five years. The budget also includes annual operating costs at the Marin Commons Emergency Operations Facility for facility maintenance costs for the Sheriff and networking costs for IST, partially offset by lease savings and increased rental revenue.

Over the past several years, the County of Marin has taken several actions to bring the budget into balance, which resulted in structurally sound and a balanced two-year budget. The County has cut ongoing expenses by over $30 million and reduced the workforce by approximately 10%. The County also adopted a lower-cost retiree health plan for new employees in 2008, negotiated lower pension tiers for new miscellaneous employees in 2011, implemented the Public Employees' Pension Reform Act of 2013, and recently established an Other Post-Employment Benefits (OPEB) trust - setting the County on a path to fully fund its retiree health costs over a 30-year period. In the past year, the County also reduced its unfunded retiree liabilities by $98 million, leading all three independent bond rating agencies to give Marin County the highest rating of ‘AAA’, and making Marin one of only two California counties with an ‘AAA’ rating from all major rating agencies.

Our goal in preparing the budget is to be open and transparent, make recommendations consistent with our long-term priorities, and to be fiscally responsible to the residents we serve, with the shared goal of making Marin safer, healthier, and more sustainable.

For the first time in five years, the County is not considering service reductions. With a balanced budget plan for the next two years, going forward we will build upon our past successes, continue to adapt our spending priorities to address emerging needs within existing resources, and make investments in technology to meet the expectations of our residents and employees.

## LONG-TERM FINANCIAL PLANNING

Just as the County has planned its response to the greatest recession since the Great Depression, we need to look ahead and consider the emerging issues that the County will need to address in the coming years. The County must remain open to new and better ways of achieving our vision of a safe, healthy, and sustainable community. The following is a brief discussion of some of the major emerging policy issues facing the County in the next few years:

### Five Year Business Plan

The services the County provides to the community contribute greatly to the high quality of life Marin residents enjoy. To maintain and enhance the quality of life of the community, the County needs to effectively respond to the future challenges and opportunities. By engaging County’s workforce, the Five Year Business Plan will help to identify strategies to respond to the expected retirements of 1 in 3 employees over the next five years. It will also help identify technology investments so that the County can meet the rapidly changing expectations of residents and County’s workforce for modern customer service practices. Lastly, it will identify how the County can best adapt to the changes in the community as it grows older and more diverse.

### Addressing Equity Gaps in Health

On an overall basis, the County ranks highest in California in health and life expectancy. But within the County there are differences among our communities that require greater focus. For example, the County is the healthiest County in the state, but life expectancy can vary by as much as 17 years within Marin. How can the County improve longevity and health outcomes for all residents, especially those that are less fortunate? Preventable heart disease is a key cause of Marin's gap in life expectancy. Health Care Reform provides an opportunity to improve health access and the quality of the care provided, but supporting healthy eating and active, tobacco-free lifestyles is even more important. Over the next year, Health and Human Services will work with the Board to adopt targets to reduce childhood obesity and improve access to health care in those communities that are experiencing lower life expectancy.

### Road and Bridge Improvements

The County maintains 419 miles of road, consisting of 1,100 lane miles. Maintaining infrastructure for all modes of public mobility is an essential service and affects nearly every county resident. Last year, the County adopted a policy that, for five years, allocates to the road and bridge capital program 50% of any available year-end General Fund balance in excess of what's required to support the General Fund operating budget. These additional investments are intended to help achieve the goal of improving the County's Pavement Condition Index. The County’s budget includes an allocation of $4 million toward new deferred road and bridge maintenance projects in FY 2014-15, bringing the County's investments over the last six years to approximately $28 million.

Partnership Efforts

The County works with a number of non-profit agencies to provide services on behalf of the County. The current budget includes approximately $500,000 to provide a cost of living adjustment for those community-based organizations that have not received an increase over the past five years. Another example is the ongoing partnership with the Agricultural Institute of Marin to create a plan for a new farmers' market at the Christmas Tree Lot site that includes a market building and a covered market canopy that is consistent with the Civic Center Master Design Guidelines and acceptable to the community.

Business Process Improvements and Technology Investments

The coming year will also bring important focus to business improvement efforts, including implementation of a new enterprise resource planning (ERP) system to replace SAP. An important part of this implementation will be to use this system replacement project as the opportunity to change County's business processes to better reflect public service best practices. The County has also planned one-time technology investments to begin to meet the growing expectations of the residents and employees, such as business license applications, finding a polling place, building permit applications, or a mobile County Fair application to guide visitors in locating events, exhibits and vendors. The County is also investing in the creation of more fillable forms on the County website.

Open and Transparent County Budget & Spending

The County also needs to explore more avenues for constructive engagement with residents to continually improve County services, as well as to understand their concerns and priorities, in an era of declining trust in government nationally. One avenue toward enhancing trust and engaging residents includes transparency. As one example, the County introduced this summer a web-based interface called OpenGov to publish the County's budget in a way that allows the public to easily and graphically inquire about the County's budget.

Continuing Efforts to Reduce Unfunded Liabilities

The County's pension and retiree liabilities came about based on many decisions that were made over the last 40 years. These liabilities cannot be eliminated in five years, but the Board has taken many steps to reduce them now and for future generations. Specifically, the Board has done the following in recent years:

- Created a lower cost retiree health plan for all employees hired after 2008;
- Negotiated with miscellaneous bargaining units a less costly 2% at age 61.25 retirement tier for new employees that became effective in 2012;
- Capped the County's contribution to employees' share of cost to 2% (for miscellaneous) and 3% (for safety) of salary;
- Implemented the California Public Employees' Pension Reform Act of 2013 (PEPRA), which, among other statewide reforms, mandates for new, non-reciprocal employees after January 1, 2013 a 2.0% at age 62 pension plan for non-safety employees and a 2.7% at age 57 formula for new safety employees;
- Adopted a policy to dedicate County PEPRA savings for the first five years toward reducing the County's unfunded liability, estimated to save up to $3 million over PEPRA's first five years;
- Utilized $46 million in one-time reserves to pay down our unfunded pension liability and created a retiree health trust to eliminate our unfunded retiree health liability over the next 30 years; and
- Directed staff to begin exploring an employee optional hybrid defined benefit/defined contribution plan to address newer generation interest in the portability of retirement benefits while also better sharing market risk.

State and Federal Risk Remains

Many of the County's safety net services are largely supported by state and federal funds. Because more than 30% of County services are funded by the state, any additional budget cuts are likely to result in a reduced level of safety net and other services that the County is able to provide to residents. While the County's budget is now more structurally balanced than it has been for some time, the County simply does not have the capacity to backfill the portfolio of programs currently funded by, and often performed on behalf of, the state while continuing to maintain structural balance.

With release of the state's May Revision on May 14th, the state is clearly on better fiscal footing - though uncertainties and risks do remain, most notably including health care costs with implementation of the federal Affordable Care Act. Updated figures reflect increased state revenues of $2.4 billion. However, these are largely offset by increased state expenditures relating to the costs of health care, drought, and other programs.

The Governor's January Proposal had included various efforts to eliminate what the Governor called the “Wall of Debt” facing the State. Included among these proposals was a scheduled repayment plan of obligations for pre-2004 local government reimbursable mandates starting in FY 2015-16 of about $900 million statewide, eliminating these obligations entirely by FY 2017-18. The Governor's proposal had implied these would be paid down over two years (about 83% in FY 2015-16 and the remaining 17% in FY 2016-17). The May Revision adjusts that payment plan as follows: $100 million in 2014-15, $748 million in 2015-16, and $52 million in 2016-17.

The proposed $100 million of repayment in FY 2014-15 includes $73 million for counties. Marin may receive $500,000 to $750,000 of one-time funding in FY 2014-15. The County plans to adopt a policy to deposit these revenues into the County's one-time reserve to ensure that they are appropriately allocated for one-time purposes.

It has also become clear that federal reductions are likely in coming years, as pressure builds to address the nation's growing debt burden. Approximately 10% of the County's budget is dependent upon federal revenues. The County maintains approximately $5 million in one-time reserves to help establish a glide path in the event the County suffers significant cuts to critical state or federally-funded programs without sufficient time to transition to a lower level of service.

Future Pension Costs

Although investment earnings have been relatively strong in recent years, the Marin County Employees’ Retirement Association (MCERA) Board is scheduled to discuss policy changes later this year which may have an adverse impact on the County's pension expenses. Changes to the discount rate, amortization schedules or mortality assumptions would increase the County's annual required contributions and, if significant, would require expenditure reductions to balance the budget. The impact of these changes is unlikely to be quantifiable until the end of the year.

## COUNTY STRATEGIC PLAN

Since 2001, the Board of Supervisors has used the County’s Strategic Plan, A Blueprint for Excellence in Public Service, in directing the development and administration of the County organization. The Strategic Plan seeks to align County programs with guiding principles to provide excellent service to the Marin County community, as well as provide a foundation and direction to guide organizational development. The Strategic Plan expresses the County’s commitment to build a sustainable community and to encourage the participation of all residents in their county governance. The Strategic Plan is organized into four major strategies: The Customer, The Employee, Communication, and Performance Management. In addition to these strategies, the Strategic Plan articulates desired outcomes and a series of actions to accomplish each strategy.

Managing for Results

Performance Management, one of the four strategies of the Strategic Plan, involves measuring the effectiveness of County programs in achieving community outcomes. To further define this strategy, the Board of Supervisors expressed its vision to become a “Well-Managed County” with the following elements:

- Results-oriented
- Customer and community focused
- Mission and values-driven
- Collaboration and participation among all levels of the organization
- Cycle and culture of continuous improvement
- Budgets and business systems aligned with overall mission, values and goals.

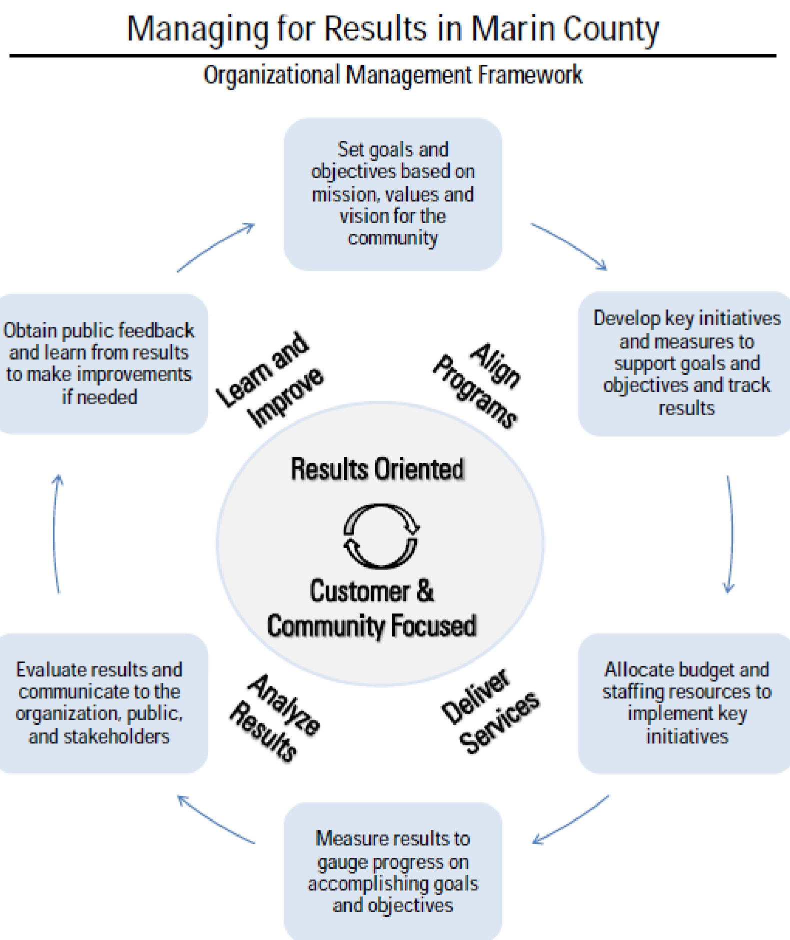
In 2004, the County developed and implemented Managing for Results (MFR) to achieve the Board's vision. MFR is a tool that helps the County do the most important things well by identifying the County’s most important priorities, aligning department and program activities to reflect those priorities, and using measures to track progress in accomplishing them.

A primary focus of MFR is the development and use of performance measures to help assess the quality of County programs and overall progress in achieving the County's most important priorities. Departments have enhanced their efforts in developing meaningful measures to provide key results of program performance. Throughout the year, departments will measure their success and make any necessary adjustments to achieve their program objectives.

Departments have identified three to five Key Measures that communicate important outcomes and information related to department programs. These high level performance measures are intended to highlight information that is important to County residents, departments, and County policymakers for achieving specific County-wide goals. These measures are located within the department sections of the Proposed Budget document.

With the County having reached a relative level of budget stability after several years of fiscal challenge, the County intends to explore efforts to improve the MFR program to better communicate outcomes, including work with the Board and departments to develop countywide indicators.

As shown in the below diagram, MFR is a dynamic, ongoing process that continues the County’s efforts to build a high-performance organization that achieves results in addressing community and organizational needs.




Countywide Goals and Objectives

As an initial step in implementing MFR, the Board of Supervisors approved a set of countywide goals in December 2004. The Countywide Goals reflect the internal goals from the Strategic Plan and identify the County's community and organizational priorities.

# Countywide Goals

**Mission**

*The mission of the County of Marin is to provide excellent services that support healthy, safe and sustainable communities; preserve Marin s unique environmental heritage; and encourage meaningful participation in the governance of the County by all*

**Community Goals**

| I. Healthy Communities | II. Safe Communities | III. Sustainable Communities | IV. Environmental Preservation | V. Community Participation |
|---|---|---|---|---|
| a. Public Health Services<br>b. Culture and Lifelong Learning Resources<br>c. Healthy Lifestyles<br>d. Pollution Prevention | a. Crime Prevention<br>b. Emergency Response<br>c. Social Justice<br>d. Safe Roadways<br>e. Emergency Preparedness | a. Affordable Housing<br>b. Diverse Modes of Transportation<br>c. Sustainable Economy<br>d. Efficient Resource Use<br>e. Energy Conservation | a. Environmental Stewardship and Enhancement<br>b. Agricultural Heritage<br>c. Waste management<br>d. Land Use Planning | a. Accessible Public Facilities<br>b. Public Service Opportunities<br>c. Voter Participation<br>d. Diversity in Government |

**Organizational Goals**

| VI. Excellent Customer Service | VII. Employer of Choice | VIII. Effective Communication | IX. Managing for Results | X. Financial Responsibility |
|---|---|---|---|---|
| a. Responsive<br>b. Knowledgeable<br>c. Accountable<br>d. Respectful<br>e. Nondiscriminatory | a. Recruitment and Retention<br>b. Employee Recognition<br>c. Worklife Balance<br>d. Training<br>e. Career Opportunities | a. Employee and Interdepartmental Communication<br>b. Two-Way Public Communication<br>c. County Web Information | a. Results-Based Decision-Making<br>b. Outcome Measurement<br>c. Continuous Improvement | a. Fiscal Management<br>b. Sustainable Resource Management<br>c. Goal-Directed Resource Allocation<br>d. Accountability |

## RELEVANT FINANCIAL POLICIES

Budget

The County is required by State law to adopt a final budget each year. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for all governmental funds. The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the general and special revenue funds are included in the annually appropriated budget. The legal level of control for appropriations is exercised at the departmental fund level. Appropriations at this level may only be adjusted during the year with approval of the Board. The County Administrator may make adjustments at their discretion below that level. Such adjustments by the Board and the County Administrator are reflected in the revised budgetary data presented in the financial statements.

The annual budget serves as the foundation for the County's financial planning and control of expenditures. The legal level of budgetary control, where expenditures may not exceed appropriations, is at the object level (e.g., salaries and benefits) within a budget unit in a fund. Budget expenditures are enacted into law through the passage of an Appropriation Ordinance. The ordinance sets limits on expenditures, which cannot be changed except by subsequent amendments to the budget.

Balanced Budget

The annual budget must balance resources with expenditure appropriations in accordance with California State Government Code §29009. The Board requires the County Administrator's Office, in coordination with the Department of Finance, to ensure that expenses are controlled in such a manner that department budgets are not expended above the levels that are appropriated in the annual budget or beyond that which the County has the funds to pay.

Use of “One-Time” Funds

The Board expects that one-time revenues shall be dedicated for use as one-time expenditures. Annual budgets will not be increased to the point that ongoing operating costs become overly reliant on cyclical or unreliable one-time revenues. In the face of downturns in the economy or any significant state cuts in subventions for locally mandated services, the use of one-time sources of funds will only be used to ease the transition to downsized and/or reorganized organizations.

Pursuit of New Revenues/Maximizing Use of Non-General Fund Revenues

County departments will pursue revenue sources, when reasonable, in support of the countywide goals. Where not prohibited by law, departments will maximize use of non-General Fund revenues prior to using General Fund money to fund programs. In any case, the Board expects that revenues will only be budgeted when there is substantial assurance of their receipt in the fiscal year that is being considered. The County will continue to advocate for more discretion over its revenue sources and to diversify and maximize discretionary revenue sources to improve the County's ability to manage revenue fluctuations.

Cost Recovery through Fees

Departments must utilize fees to recover costs where reasonable and after all cost-saving options have been explored. There must be statutory authority for the County to charge a fee and the fee must be approved by the Board of Supervisors, with the exception of those fees in which a statute mandates the imposition of the fee. If permissible by law, fees and charges will cover all costs of the services provided, unless otherwise directed by the Board. Programs financed by charges for services, fees, grants, and special revenue fund sources will pay their full and fair share of all direct and indirect costs to the extent feasible and legally permitted.

Grants

As required by current Board policy, any new grant award that requires new County funds/matching requirements or other County commitments must be reviewed by the County Administrator. The County Administrator reviews and approves any proposed allocation of grant monies before departmental submission of the grant application to the granting agency. When applying for grants for ongoing programs (as opposed to planning or capital grants), departments should consider how funding will be provided for the duration of the program. To the extent legally possible, all grant applications should be based on full costing, including overhead and indirect costs. Where matching funds are required for grant purposes, departments should provide as much “in-kind” contribution as allowed instead of hard-dollar matches. Unless long-term funding is secure, departments should avoid adding staff to support new grant-supported programs. If it is necessary to add staff, limited term positions should be used to support programs.

Interest Earnings

Unless otherwise prohibited by law or Generally Accepted Accounting Principles (GAAP), interest earnings in County operating funds are retained in the General Fund.

Matching Funds/Backfill

In general, federal and state program reductions will not be backfilled with County discretionary revenues except by Board direction. The Board typically does not backfill these programs due to their size and impact on the County's financial position. The Board, at its discretion, may provide County “overmatches” to under-funded programs to ensure or enhance specified levels of service.

Cost Allocation

Countywide overhead costs are allocated to all County departments based upon the cost allocation and implementation plan developed annually by the Department of Finance.

Budget Reductions

Reductions shall be evaluated on a programmatic basis to reach the appropriations level required within the available means of financing. When budget reductions are necessary, departments will prioritize their services and programs and propose reductions in areas that have the least impact in achieving countywide and departmental goals. Departments must also consider the potential effects on interrelated or cross-departmental programs when developing budget reductions.

Non-Emergency Mid-Year Requests

Mid-year budget and capital project requests of a non-immediate nature requiring the use of fund balance are recommended to be referred to the next year's budget deliberations to accommodate prioritization relative to countywide and departmental goals and available financing sources. Midyear requests with other funding sources, or which can be absorbed within a department's budget, will be considered as a component of the County's “Actuals & Expectations” (“A&E”) mid-year budget review process. This process is authorized annually by the Board of Supervisors.

Per Government Code §29125, the County Administrator is authorized to approve transfers and revisions of appropriations within a department and fund if overall appropriations of the department are not increased. The Board of Supervisors designates a budget unit at the department and fund level.

Appropriations from Unanticipated Revenues

Appropriations from departmental unanticipated revenues will not be recommended unless the department is either reaching or exceeding its total departmental revenue estimates on a monthly or quarterly basis, or its revenues are in line with historical revenue trends for that department and the appropriation is consistent with departmental and countywide goals. Grant program revenues and appropriations will be handled separately.

General Fund Support/Net County Cost

General Fund Support is the amount of General Fund money to a given budget after revenues and other funding sources are subtracted from expenditures. Significant variances from budgeted General Fund Support/Net County Cost (NCC) amounts during the fiscal year may result in a recommendation to reduce expenditures to ensure that the budgeted net costs are achieved by the end of the fiscal year.

Debt Financing

Debt is incurred for the purpose of spreading capital project costs over the years in which the improvement will provide benefits. Debt is also incurred to reduce future costs such as refinancing (pension obligation bonds, general obligation bonds, certificates of participation) at lower interest rates. The County will consider, finance, and administer debt consistent with Marin County's Debt Policy.

Workers Compensation Funding

Marin County initiated a self-insured liability program for workers compensation on July 1, 1993. The Board of Supervisors has adopted a funding policy that program assets be maintained at or above the 70% confidence level, including recognition of anticipated investment income.

General Fund Balance

General Fund balance that is available at the end of any given fiscal year is estimated during the final stages of the budget development process for the following year. Much of this amount is derived from salary savings and other unencumbered balances that are generated in departmental operating budgets. Fund balance will be used to achieve and maintain the County's reserve goals and to balance the next year's budget. Reliance upon fund balance for budget balancing will be monitored and will not materially deviate from past actual activity. It is the policy of the Board that the County should strive to reduce its reliance upon the prior year's remaining fund balance to finance the next year's operations.

Funding of Contingency Reserves and Designations

For the General Fund, the County maintains a minimum of 5% of its operating budget in contingency or budget uncertainty reserves, consistent with best practices and the guidance of credit rating agencies. Contingency reserves may be used in future years to phase into fiscal distress periods in a planned, gradual manner, or to support costs on a one-time basis for the following purposes:

- Impacts of unanticipated reduction in state and/or federal grants and aid;
- Economic recession or depression and corresponding budget actions before the beginning of any one fiscal year;
- Impacts of a natural disaster;
- Unanticipated or unbudgeted lease expense that is necessary for the delivery of local services; or
- Unforeseen events that require the allocation of funds.

Other reserves may be used to designate one-time funds for anticipated events or requirements, or for significant capital projects to minimize debt service and issuance costs ("pay-as-you-go" capital spending).

## AWARDS AND ACKNOWLEDGEMENTS

Awards

We are pleased that the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Marin for its Comprehensive Annual Financial Report (CAFR) for the prior fiscal year ended June 30, 2013. This was the third year the County issued a CAFR and received this prestigious award for all three years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

Acknowledgements

The preparation of this Comprehensive Annual Financial report is made possible by the efficient and dedicated services of the Department of Finance staff. I would like to express my appreciation to my Accounting Division, the various County departments who assisted in the preparation of this report, and also acknowledge the efforts of our independent auditor, Gallina LLP.

Most importantly, I would like to thank the Board of Supervisors, the County Administrator's Office, and the County departments and agencies for their continued efforts in planning and conducting the County's financial operations in a responsible and progressive manner.

Sincerely,

Roy Given

Roy Given, CPA
Director of Finance

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**County of Marin**

**California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2013**

Jeffrey R. Emer

Executive Director/CEO

## COUNTY OF MARIN

Organizational Chart
June 30, 2014

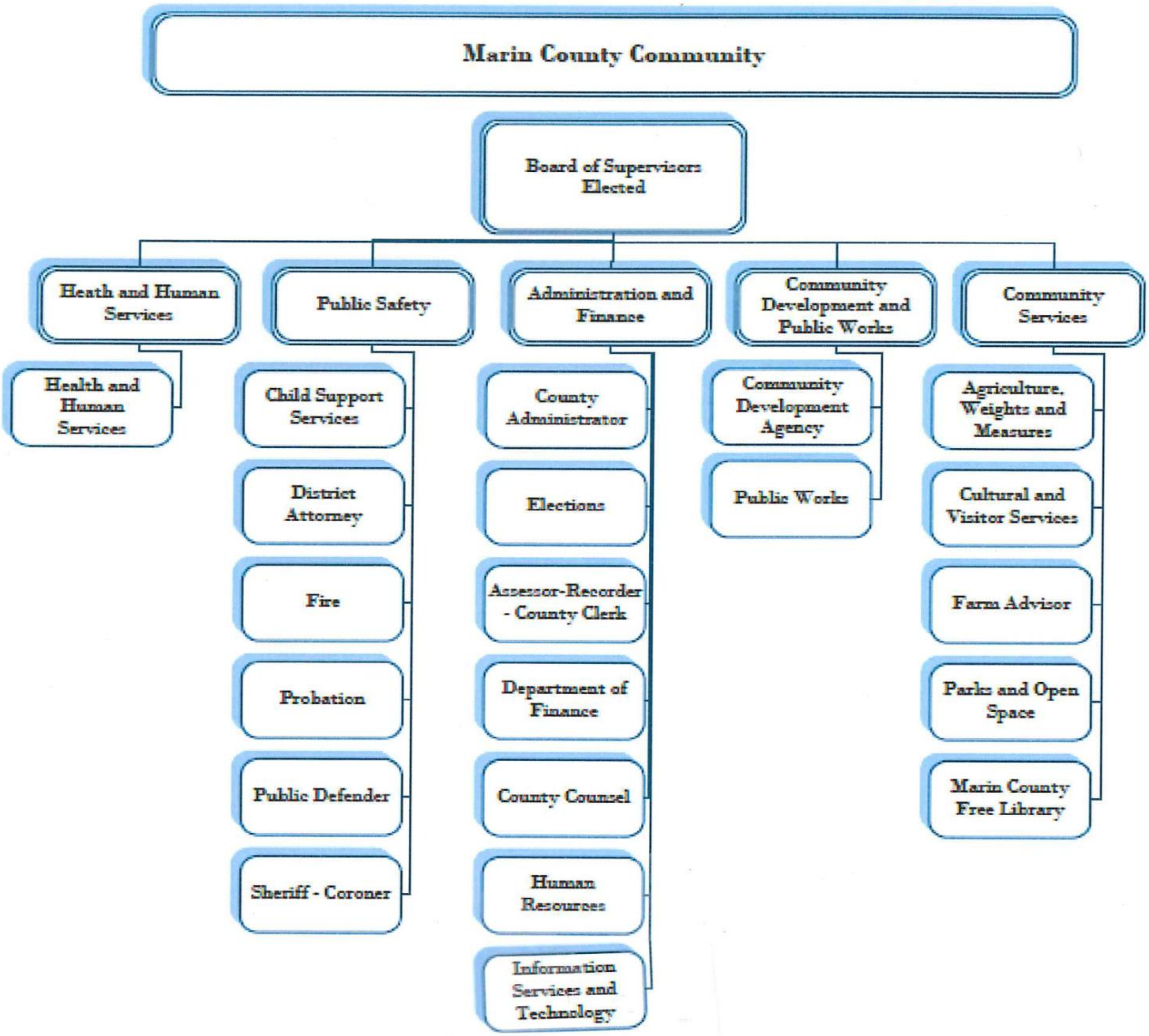
| ELECTED OFFICIALS | |
|---|---|
| Supervisor – First District | Susan L. Adams |
| Supervisor – Second District | Katie Rice |
| Supervisor – Third District | Kathrin Sears |
| Supervisor – Fourth District | Stephen H. Kinsey |
| Supervisor – Fifth District | Judy Arnold |
| Assessor-Recorder-County Clerk | Richard N. Benson |
| District Attorney | Edward S. Berberian |
| Sheriff-Coroner | Robert T. Doyle |
| Emergency Services Manager | Christopher Reilly |

| APPOINTED OFFICIALS (by the Board of Supervisors) | |
|---|---|
| County Administrator | Matthew H. Hymel |
| Agricultural Commissioner | Stacy K. Carlsen |
| Acting Director of Child Support Services | Jill K. Francis |
| Director of Community Development | Brian Crawford |
| County Counsel | Steven M. Woodside |
| Director of Cultural & Visitor's Services | Gabriella Calicchio |
| Director of Finance | Roy Given, CPA |
| Farm Advisor/U.C. Cooperative Extension | David Lewis |
| Fire Chief | Jason Weber |
| Director of Health & Human Services | Larry Meredith, Ph.D. |
| Director of County Library Services | Sara Jones |
| Director of Parks and Open Space | Linda Dahl |
| Chief Probation Officer | Michael Daly |
| Public Defender | Jose H. Varela |
| Director of Public Works | Raul M. Rojas |
| Registrar of Voters | Lynda Roberts |

| APPOINTED OFFICIALS (by the County Administrator) | |
|---|---|
| Director of Human Resources | Joanne Peterson |
| Director of Information Services & Technology | Charlie Haase |

## COUNTY OF MARIN

Organizational Chart
June 30, 2014



# FINANCIAL SECTION

This page intentionally left blank

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors
County of Marin
San Rafael, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Marin (County), California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the County of Marin and its aggregate discretely presented component units, and the Marin County Transit District, which represent the following percentages of assets and revenues/additions as of and for the fiscal year ended June 30, 2014:

| Opinion Unit | Assets | Revenues/ Additions |
|---|---|---|
| Business-Type Activities | 83.66% | 92.41% |
| Aggregate Discretely Presented Component Units | 100% | 100% |

Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the County of Marin, its aggregate discretely presented component units, and the Marin County Transit District is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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


925 Highland Pointe Drive, Suite 450, Roseville, CA 95678-5418
tel: 916.784.7800 ■ fax: 916.784.7850 ■ www.gallina.com

To the Board of Supervisors
County of Marin

**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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress, for the Defined Pension Benefits Pension Plan and the Other Post Employment Benefits Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 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.

Gallina LLP

Roseville, California
January 30, 2015

# MANAGEMENT’S DISCUSSION AND ANALYSIS

This page intentionally left blank

# COUNTY OF MARIN

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

This section presents management's analysis of the County of Marin's (the County) financial condition and activities as of and for the year ended June 30, 2014. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which immediately follow this section.

## I. FINANCIAL HIGHLIGHTS

**Government-wide financial analysis**

- At June 30, 2014, the assets and deferred outflows of the County, $1,960.9 million, exceeded its liabilities by $1,542.9 million. Of this amount, $20.0 million in unrestricted net position may be used to meet the County's ongoing obligations to its citizens and creditors; whereas, $187.5 million is restricted for functional programs with external constraints, debt service, and other restrictions; and $1,335.4 million is invested in capital assets, net of related debt.

- The County's total net position increased by $11.7 million, or 0.8%, during the current fiscal year. The increase in net position represents the degree to which revenues exceeded expenses plus special and extraordinary items (if any), and net transfers.

- The County's total expenses were less than total revenues by $11.7 million. Annual governmental activities resulted in a $10.4 million excess in revenues over expenses, whereas annual business activities resulted in a $1.3 million excess in revenues over expenses.

- The program revenues of the primary government's governmental activities were $273.8 million, which included fees, fines, charges for services, grants and contributions. The general revenues and transfers were $231.2 million, which included taxes, unrestricted interest and investment earnings, tobacco settlement funds, other miscellaneous revenue and transfers, with overall expenses of $494.6 million. The resulting $10.4 million increase in net position was primarily attributable to the County's decrease in program losses of $23.6 million driven by decrease in expenditures due to continuing County's effort to cut costs, as well as increase in general revenue of $29.5 million due to improved economy and associated increase in property tax revenue and additional sales tax revenue. Additional sales tax revenue received in the current year amounted to $14.5 million for Measure A for Parks and Open Space.

- The business-type activities of the County posted net program losses of $3.0 million before general revenues, primarily due to a $1.7 million program loss for Housing Authority mainly due to $0.7 million increase in housing assistance expenses in the Housing Choice Voucher Program and $1.2 million current year depreciation, and $0.8 million program loss for Marin County Transit District due to $2.2 million increase in program expenses, mainly services and supplies expenses, partially offset by $1.0 million increase in program revenues.

**Capital assets and debt administration**

- The County's capital assets, net of accumulated depreciation, increased by $23.2 million, from $1,446.3 million to $1,469.5 million. The increase was largely due to a $29.8 net increase in construction in progress (CIP) projects, related mostly to the renovation of the County's new Emergency Operations Facility.

- The County's total outstanding balance on long-term debt (e.g. bonds, loans, certificates of participation, and capital leases) decreased by $4.1 million, from $243.8 million to $239.7 million. The decrease was primarily due to current year scheduled debt service payments of $5.8 million, offset by $0.6M new loans for Housing Authority to acquire below market rate units in danger of foreclosure, $0.3M for County for Energy Conservation Loan, and $0.8 adjustment for accretion for Tobacco Settlement Bonds.

**Governmental funds financial analysis**

- At June 30, 2014, the County's governmental funds reported combined fund balances of $346.5 million, which is a decrease of $11.6 million compared to the prior fiscal year. Of this amount, approximately $342.6 million or 98.9%, is either non-spendable or for specific uses; and $3.9 million, or 1.1% is unassigned and available to meet the County's current and future uses.

- The fund balance in the County's primary operating fund, the General Fund, at year-end was $139.9 million, which is an increase of $14.6 million compared to the prior fiscal year. Of this amount, approximately $136.0 million or 97%, is either non-spendable or for specific uses; and $3.9 million, or 3%, which approximates 1% of the General Fund's total expenditures for the year, is available for appropriations.

## II. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

In addition to these basic financial statements, this report also includes the Required Supplementary Information on pages 71 – 75.

**Government-wide Financial Statements**

The Government-wide financial statements provide readers with a broad overview of County finances, in a manner similar to a private-sector business, using the full accrual basis of accounting as required by Governmental Accounting Standard Board (GASB) Statement No. 34.

The *Statement of Net Position* presents information on all of the County's assets and liabilities, with the difference between the two 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 of how the County's net position changed during the 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).

The government-wide financial statements include not only the County itself (known as the primary government), but also legally separate entities for which the County is financially accountable (known as component units). Some of these entities, although legally separate, function for all practical purposes as departments of the County and therefore have been included as an integral part of the primary government.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities).* The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The business-type activities of the County include the Housing Authority, Marin County Transit District, Gnoss Airport, Marin County Fair, Marin.Org, Marin Commons Property Management, and Marin Center Promotions.

Pages 21 – 23 of this report display the government-wide financial statements.

## Fund Financial Statements

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

**Governmental funds** account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 is useful in evaluating the County's near-term financing requirements.

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

Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund. Data from the remaining nonmajor governmental funds are combined into a single, aggregate presentation.

A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget and is located in the Required Supplementary Information section of the report.

Pages 25 – 28 of this report display the governmental funds financial statements.

**Proprietary funds** – The County maintains two different types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Housing Authority, Marin County Transit District, Gnoss Airport, Marin County Fair, Marin.Org, Marin Commons Property Management, and Marin Center Promotions. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service fund accounts for internal insurance activities (workers' compensation). Since these services predominantly benefit governmental rather than business-type functions, they are consolidated within the 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. The proprietary fund financial statements provide separate information for the Housing Authority and Marin Transit District, which are considered to be major funds. Data for the nonmajor proprietary funds are combined into a single, aggregate presentation. The County has one internal service fund, presented in a separate column in the governmental activities of the proprietary funds.

Pages 29 – 32 of this report display the proprietary funds financial statements.

**Fiduciary funds** account for resources held for the benefit of parties outside the County. 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. Fiduciary fund accounting is similar to proprietary fund accounting. Fiduciary funds report the external portions of the Treasurer's investment pool and agency funds.

Pages 33 – 34 of this report display the fiduciary fund's financial statements.

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Pages 35 – 70 of this report display the notes to the financial statements.

**Required Supplementary Information** presents certain actuarial information concerning the County's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Budgetary comparison schedules for the major governmental funds are also included as supplementary information to demonstrate compliance with expenditure limits set by the governing board.

Pages 71 – 75 of this report display the Required Supplementary Information.

Combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental funds, enterprise funds, internal service fund and fiduciary funds and are presented immediately following the required supplementary information.

Pages 77 – 155 of this report display the combining and individual fund statements and schedules.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 exceeded liabilities by $1,542.9 million as of June 30, 2014. Further details are provided in the table below.

### Condensed Statement of Net Position
### (in thousands)

| | Governmental Activities | | Business-type Activities | | Total | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Dollar | Percent |
| | 2014 | 2013 Restated | 2014 | 2013 Restated | 2014 | 2013 Restated | Change | Change |
| **Assets:** | | | | | | | | |
| Current assets and deferred outflows | $ 463,894 | $ 480,068 | $ 27,515 | $ 28,002 | $ 491,409 | $ 508,070 | $ (16,661) | -3.3% |
| Capital assets, net | 1,429,621 | 1,408,334 | 39,901 | 37,932 | 1,469,522 | 1,446,266 | $ 23,256 | 1.6% |
| Total assets and deferred outflows | 1,893,515 | 1,888,402 | 67,416 | 65,934 | 1,960,931 | 1,954,336 | 6,595 | 0.3% |
| **Liabilities:** | | | | | | | | |
| Current and other liabilitie: | 54,807 | 54,644 | 7,695 | 7,412 | 62,502 | 62,056 | 446 | 0.7% |
| Noncurrent liabilities | 349,053 | 354,481 | 6,491 | 6,615 | 355,544 | 361,096 | (5,552) | -1.5% |
| Total liabilities | 403,860 | 409,125 | 14,186 | 14,027 | 418,046 | 423,152 | (5,106) | -1.2% |
| **Net position:** | | | | | | | | |
| Net investment in capital assets | 1,302,696 | 1,273,345 | 32,714 | 32,935 | 1,335,410 | 1,306,280 | 29,130 | 2.2% |
| Restricted | 180,677 | 186,873 | 6,794 | 7,221 | 187,471 | 194,094 | (6,623) | -3.4% |
| Unrestricted | 6,282 | 19,059 | 13,722 | 11,751 | 20,004 | 30,810 | (10,806) | -35.1% |
| Total net position | $ 1,489,655 | $ 1,479,277 | $ 53,230 | $ 51,907 | $ 1,542,885 | $ 1,531,184 | $ 11,701 | 0.8% |

## Governmental Activities

**Total assets and deferred outflows** for governmental activities increased by $5.1 million, or 0.3%, from the prior fiscal year. The overall increase was attributable to the following:

- Cash and investments in County pool increased by $5.4 million, from $306.9 million in the prior year as compared to $312.3 million in the current year due to increased revenues and decreased expenses as described in the analysis of net position for governmental activities herein.

- Accounts receivables increased by $3.5 million, from $7.7 million in the prior year as compared to $11.3 million in the current year. The increase is mostly attributable to improved economy and associated increase in property tax revenue and sales tax revenue received in the current year for Measure A for Parks and Open Space.

- Due from other Agencies increased by $8.3 million, from $24.1 million in the prior year as compared to $32.5 million in the current year due to timing of receipt of $3.1 million for Sir Francis Drake Rehabilitation project from Transportation Authority of Marin, and $5.5 million mostly for health care services from the State.

- Net Pension Assets decreased by $4.7 million due to current year amortization

- Restricted cash held with trustee decreased by $28.4 million, from $44.0 million in the prior year as compared to $15.6 million in the current year. The decrease was primarily attributable to the current year draw-down of funds from the 2010 Certificates of Participation loan proceeds for the purpose of construction costs related to the County's Emergency Operations Facility. This is offset by corresponding increase in capital assets of $21.3 million.

**Total liabilities** from governmental activities decreased by $5.3 million, or 1.3%, from the prior fiscal year. The overall decrease was primarily attributable to scheduled debt service of long-term obligations, mainly $2.3 million debt service on Pension Obligation Bonds and $2.4 million debt service on Certificates of Participation.

## Business-type Activities

**Total assets** from the business-type activities increased by $1.5 million, or 2.2%, from the prior fiscal year. The overall increase was attributable to the Housing Authority's acquisition of energy equipment amounting to $2.2 million for offset by current year depreciation of $1.1 million.

**Total liabilities** from the business-type activities increased by $0.2 million, or 1.1%, from the prior fiscal year, primarily due to the Housing Authority's $0.2 million increase in payables to other agencies.

## Analysis of Net Position

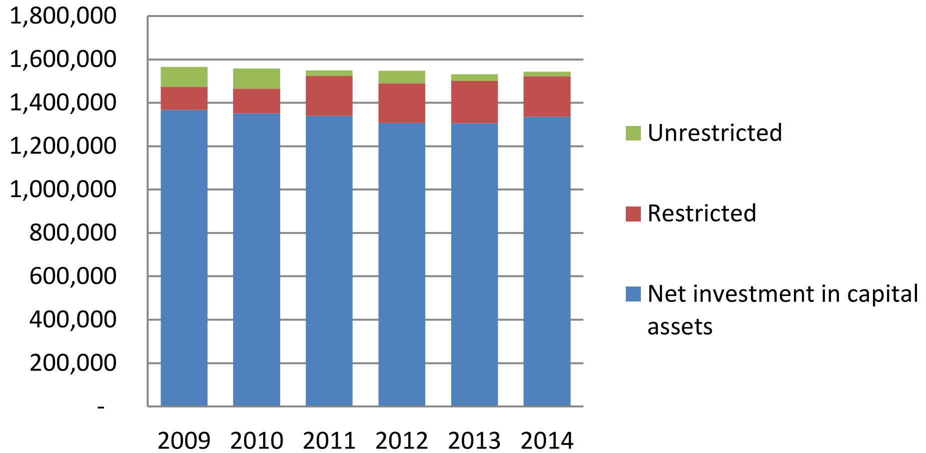
The County's overall net position increased by $11.7 million, or 0.8%, during the current fiscal year, compared to a $38.8 million decrease in the prior fiscal year. The County's total net position from governmental and business-type activities can be divided into three portions: net investment in capital assets, restricted net position, and unrestricted net position.

- **Net investment in capital assets** – The County's net investment in capital assets (e.g. land, buildings, roads, bridges, flood control channels and debris basins, machinery, and equipment), is the largest portion of the County's net position, which is $1,335.4 million, or 86.6%, of the County's total net position of $1,542.9 million. 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 to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate corresponding liabilities.

- **Restricted Net Position** – Approximately $187.5 million, or 12.2%, of the County's net position, represents resources that are subject to external restrictions on how they may be used. Restricted net position funds are restricted for special purposes, enabling legislation, and other outside sources.

- **Unrestricted Net Position** – Approximately $20.0 million, or 1.3%, of the County's net position, represents funds which may be used to meet the County's ongoing obligations to citizens and creditors.

**Figure 1 – Net Position**
**(in thousands)**



# COUNTY OF MARIN

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The following table presents the revenues, expenses, and changes in net position for governmental and business-type activities for the current and prior fiscal years:

**Change in Net Position**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | Dollar Change | % Change |
| **Revenues:** | | | | | | | | |
| Program revenues: | | | | | | | | |
| Fees, fines, and charges for services | $ 86,470 | $ 81,414 | $ 13,038 | $ 12,753 | $ 99,508 | $ 94,167 | $ 5,341 | 5.7% |
| Operating grants and contributions | 185,430 | 176,335 | 53,957 | 50,580 | 239,387 | 226,915 | 12,472 | 5.5% |
| Capital grants and contributions | 1,882 | 5,790 | 2,010 | 4,358 | 3,892 | 10,148 | (6,256) | -61.6% |
| Program revenues subtotal: | 273,782 | 263,539 | 69,005 | 67,691 | 342,787 | 331,230 | 11,557 | 3.5% |
| General revenues: | | | | | | | | |
| Property taxes | 198,608 | 179,526 | 3,448 | 3,230 | 202,056 | 182,756 | 19,300 | 10.6% |
| Sales and use taxes | 18,484 | 3,881 | - | - | 18,484 | 3,881 | 14,603 | 376.3% |
| Other taxes | 6,732 | 6,380 | - | - | 6,732 | 6,380 | 352 | 5.5% |
| Unrestricted interest & investment earnings | 3,790 | 2,989 | 301 | 616 | 4,091 | 3,605 | 486 | 13.5% |
| Gain on sale of capital assets | - | - | 143 | - | 143 | - | 143 | 100.0% |
| Tobacco settlement | 2,223 | 3,411 | - | - | 2,223 | 3,411 | (1,188) | -34.8% |
| Miscellaneous | 1,347 | 5,497 | 435 | 2,531 | 1,782 | 8,028 | (6,246) | -77.8% |
| General revenues subtotal: | 231,184 | 201,684 | 4,327 | 6,377 | 235,511 | 208,061 | 27,450 | 13.2% |
| Total revenues | 504,966 | 465,223 | 73,332 | 74,068 | 578,298 | 539,291 | 39,007 | 7.2% |
| **Expenses:** | | | | | | | | |
| General government | 84,027 | 121,259 | - | - | 84,027 | 121,259 | (37,232) | -30.7% |
| Public protection | 156,155 | 156,065 | - | - | 156,155 | 156,065 | 90 | 0.1% |
| Public w ays and facilities | 44,561 | 32,538 | - | - | 44,561 | 32,538 | 12,023 | 37.0% |
| Health and sanitation | 89,232 | 90,854 | - | - | 89,232 | 90,854 | (1,622) | -1.8% |
| Public assistance | 68,703 | 63,600 | - | - | 68,703 | 63,600 | 5,103 | 8.0% |
| Education | 15,812 | 15,522 | - | - | 15,812 | 15,522 | 290 | 1.9% |
| Recreation and cultural services | 25,554 | 17,140 | - | - | 25,554 | 17,140 | 8,414 | 49.1% |
| Interest and fiscal charges | 10,513 | 10,937 | - | - | 10,513 | 10,937 | (424) | -3.9% |
| Housing Authority | - | - | 39,280 | 39,920 | 39,280 | 39,920 | (640) | -1.6% |
| Marin County Transit District | - | - | 27,015 | 24,781 | 27,015 | 24,781 | 2,234 | 9.0% |
| Gnoss Airport | - | - | 665 | 677 | 665 | 677 | (12) | -1.8% |
| Marin County Fair | - | - | 1,624 | 1,517 | 1,624 | 1,517 | 107 | 7.1% |
| Marin Org | - | - | 1,454 | 1,358 | 1,454 | 1,358 | 96 | 7.1% |
| Marin Commons Property Management | - | - | 1,398 | 1,419 | 1,398 | 1,419 | (21) | -1.5% |
| Marin Center Promotions | - | - | 603 | 536 | 603 | 536 | 67 | 100.0% |
| Total expenses | 494,557 | 507,915 | 72,039 | 70,208 | 566,596 | 578,123 | (11,527) | -2.0% |
| Excess (deficiency) before special item and transfers | 10,409 | (42,692) | 1,293 | 3,860 | 11,702 | (38,832) | 50,534 | -130.1% |
| Transfers, net | (30) | (50) | 30 | 50 | - | - | - | 0.0% |
| Change in net position before | 10,379 | (42,742) | 1,323 | 3,910 | 11,702 | (38,832) | 50,534 | -130.1% |
| Special item | - | 21 | - | - | - | 21 | (21) | 100.0% |
| Change in net position | 10,379 | (42,721) | 1,323 | 3,910 | 11,702 | (38,811) | 50,513 | -130.2% |
| Net position, beginning | 1,457,134 | 1,499,722 | 52,030 | 47,744 | 1,509,164 | 1,547,466 | (38,302) | -2.5% |
| Prior period adjustment | 22,142 | 133 | (122) | 376 | 22,020 | 509 | 21,511 | 4226.1% |
| Net position, beginning as restated | 1,479,276 | 1,499,855 | 51,908 | 48,120 | 1,531,184 | 1,547,975 | (16,791) | -1.1% |
| Net position, ending | $ 1,489,655 | $ 1,457,134 | $ 53,231 | $ 52,030 | $ 1,542,886 | $ 1,509,164 | $ 33,722 | 2.2% |

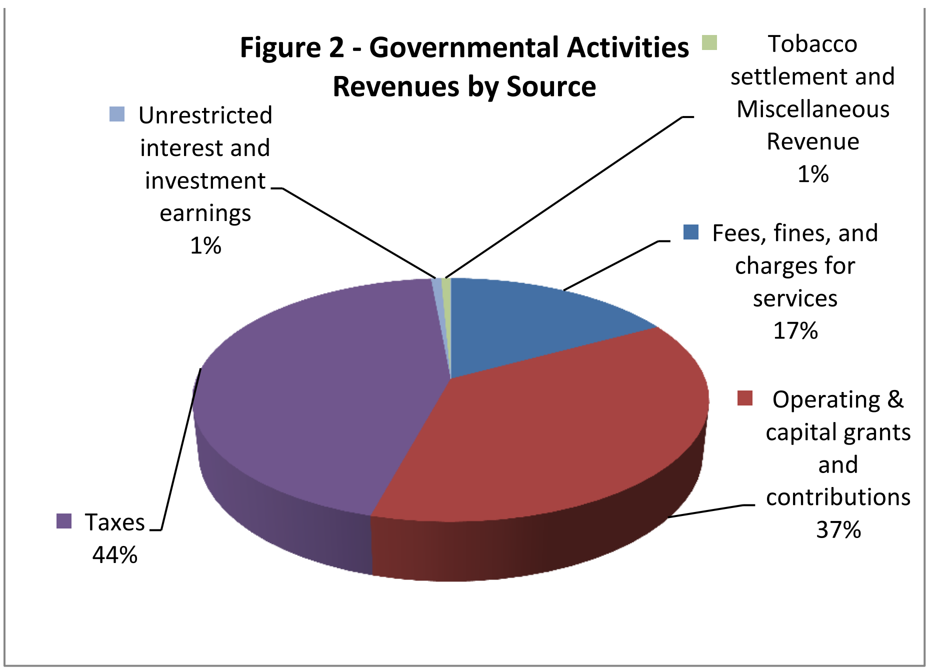
**Analysis of Governmental Activities:**

Governmental activities increased the County's net position by $10.4 million, compared to $42.7 million decrease in the prior year.

Total revenues from governmental activities increased by $39.7 million, which was mostly attributable to a $33.7 million increase in property tax revenue due to improved economy, as well as additional sales tax revenue received in the current year for Measure A for Parks and Open Space. The increase was largely attributable to the following items:

- Property taxes increased $19 million compared to the prior year. The increase is attributable to improved economy and associated increase in assessed property values of approximately 10%, as well as increase in median sales price of approximately 9%.

- Sales and use taxes increased $14.6 million mostly due to $14.5 million in sales tax revenue received in the current year pursuant to Measure A passed in Marin County in November 2012. The County receives one-quarter cent retail transactions and use tax to care for Marin's existing parks and open spaces, support regional community parks projects and programs, and further farmland preservation.




Total expenses for governmental activities decreased by $13.3 million from the prior fiscal year. The overall decrease was primarily due to $37 million decrease in general government expenses and $1.6 million decrease in health and sanitation expenses, offset by $12 million increase in public ways and facilities expenses, $5.1 million increase in public assistance expenses, and $8.4 increase in recreation and cultural services expenses.

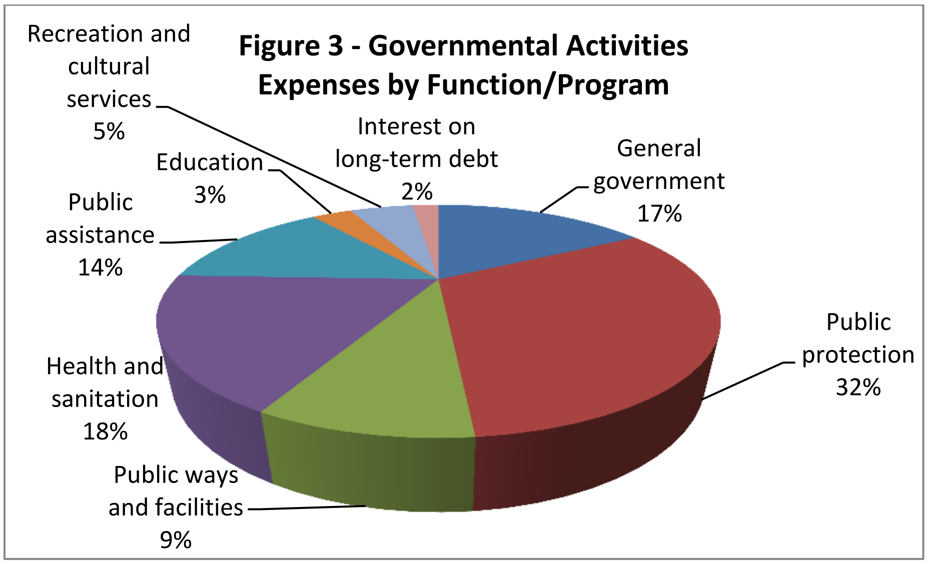
Decrease in general government expenses was mostly due to the County's $32.2 million one-time contribution towards the County's unfunded pension liability and $26.3 million one-time contribution towards Other Post-Employment Benefits (OPEB) liability in the prior year.

Decrease in health and sanitation expense was due to $2 million intergovernmental transfer (IGT) made to Department of Health Care Services pursuant to section 14164 of the Welfare and Institutions code to help increase State payments to Medi-Cal Managed Care Plans. The county did not enter into IGT agreement in current year.

Increase in public ways and facilities expense was driven by $11 million increase in pavement resurfacing projects and bridge repair projects, and $1 million increase related to Sir Francis Drake Boulevard rehabilitation project.

Increase in public assistance was attributable to increase in expenses for various programs, including CalWorks Childcare program, public assistance eligibility, AIDS assistance, and employments services programs.

Increase in recreation and a cultural services was mostly due to expenses incurred by Parks and Open Space for Measure A.




**Analysis of Business-type Activities:**

Business-type activities increased the County's net position by $1.3 million, compared to a prior year increase in net position of $3.9 million. Current year revenues decreased by $0.7 million, while expenses increased by $1.8 million. The decrease in revenues was primarily attributable to $2 million decrease in general revenues due to decrease in miscellaneous revenue, offset by $1.3 increase in program revenues. Increase in program revenues was mainly due to increase in operating grants and contributions of $3.3 million, offset by $2.3 million decrease in capital grants and contributions mainly for Housing Authority and Marin Transit District.

Expenses increased mainly due to $2.2 million increase for Marin Transit District. Increase in expenses for Marin Transit District was due to a $1.2 million increase in purchased transportation services, $0.5 million increase in fuel due to a combination of rising fuel costs, and the District directly purchasing more fuel rather than paying for fuel as part of a purchased transportation service contract, and $0.2 increase in depreciation expense.

## III. FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

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

**Governmental Funds**

The general government's functions are reported in the general, special revenue, debt service, and capital project funds. Included in these funds are various special districts governed by the Board that are blended into nonmajor governmental funds. 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 current funding requirements. In particular, unassigned fund balance at the end of the fiscal year can serve as a useful measure of the County's net resources available for spending.

At June 30, 2014, the County's governmental funds reported total assets of $373.1 million, total liabilities of $26.6 million, and combined fund balance of $346.5 million. Current year governmental fund balance of $346.5 million represents an $11.6 million decrease from the prior fiscal year fund balance.

**The General Fund** is the primary operating fund of the County. At June 30, 2014, total fund balance increased by $14.6 million, or 11.6%, to $139.8 million. Of this amount, $4.1 million is not in a spendable form, but rather held as deposits, prepaid items, and inventory. The remaining $135.7 million of fund balance is in a spendable form; however, $17.7 million of fund balance is restricted, $77.4 million of fund balance is committed, $36.8 million of fund balance is assigned, and $3.9 million of fund balance is unassigned. These fund balance categories may only be appropriated for expenditures that meet the specific level of constraint required by each category of fund balance.

**Revenue:**

The following table presents revenue, in thousands, from specific sources as well as changes from the prior year. Further details are provided in Figure 4 and 5 tables.

**Revenues Classified by Source**
**Governmental Funds**
**Fund Financial Statements**
**For the Year Ended June 30, 2014**
**(in thousands)**

| | FY 2014 | | FY 2013 | | Change | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | % |
| Taxes | $223,824 | 44.4% | $ 189,788 | 40.8% | $ 34,036 | 17.9% |
| Licenses and permits | 15,620 | 3.1% | 13,655 | 2.9% | 1,965 | 14.4% |
| Intergovernmental revenues | 187,312 | 37.1% | 182,124 | 39.1% | 5,188 | 2.8% |
| Charges for services | 60,471 | 12.0% | 56,322 | 12.1% | 4,149 | 7.4% |
| Fines and forfeits | 10,437 | 2.0% | 11,505 | 2.5% | (1,068) | -9.3% |
| From use of money and property | 3,315 | 0.7% | 2,989 | 0.6% | 326 | 10.9% |
| Miscellaneous | 3,539 | 0.7% | 8,908 | 1.9% | (5,369) | -60.3% |
| **Total Revenues** | $504,518 | 100.0% | $ 465,291 | 100.0% | $ 39,227 | -16.1% |

**Figure 4 – Two Year Comparison of Governmental Fund Revenues (in thousands)**

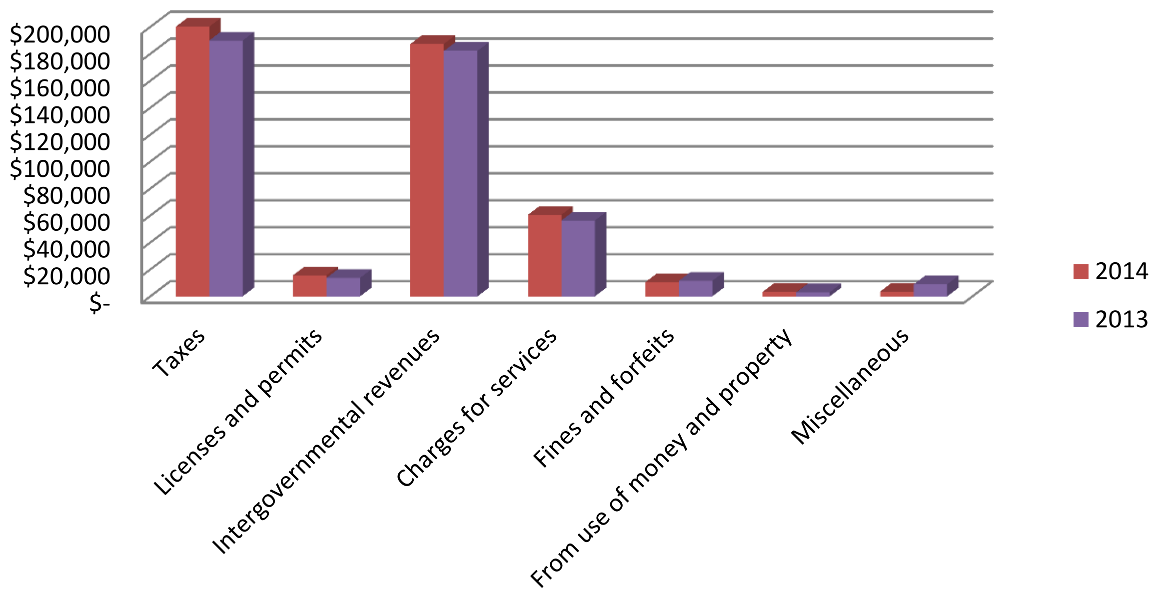
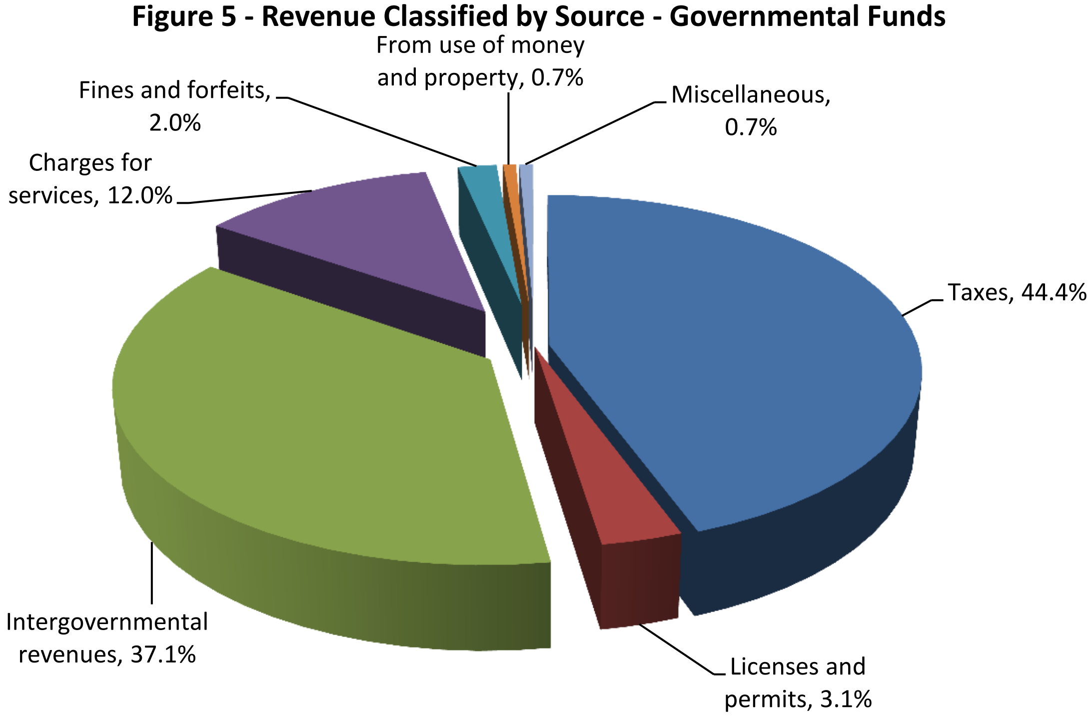



**Figure 5 - Revenue Classified by Source - Governmental Funds**



Significant changes in the governmental funds revenue sources are summarized as follows:

- Taxes increased $34.0 million, or 17.9%, from the prior fiscal year. The increase is attributable to improved economy and associated increase in property tax revenue, as well as additional sales tax revenue received in the current year for Measure A for Parks and Open Space.

- Intergovernmental revenue increased by $5.2 million, or 2.8%, from the prior fiscal year. The increase was largely attributable to $1.9M increase in Miscellaneous Capital Project Fund, $1.5 million increase in Road Fund, and $2.2 million increase in Employee's Retirement Operations Fund. Increase in Capital Project fund was driven by $0.7 million increase in revenues received for Measure B for local roads, $0.8 million for Sir Francis Drake Blvd Rehabilitation Project, and $0.5 million for San Pedro Road Project. Increase in the Road fund was driven by $1.5 million increase in Highway User Tax revenues received from the State. Increase in revenue in Employee's Retirement Operations Fund represents reimbursement by Marin County Employees' Retirement Association (MCERA) to cover payroll expenses of county employees working for MCERA.

- Charges for Services increased by $4.1 million, or 7.4%, from the prior fiscal year. The increase was due to $2.1 million increase in charges for forestry and fire protection services, $0.7 million increase in election services related to Uniform District Elections of November 5, 2013, and related charges by the County to cities, towns, schools and special districts, and $0.5M increase in property tax administration fee revenues pursuant to SB 2557.

- Miscellaneous revenue decreased by $5.4 million, or 60.3%, from the prior fiscal year. The decrease was primarily due to a $3.9 million lawsuit settlement the County received from Deloitte Consulting LLP in the prior year.

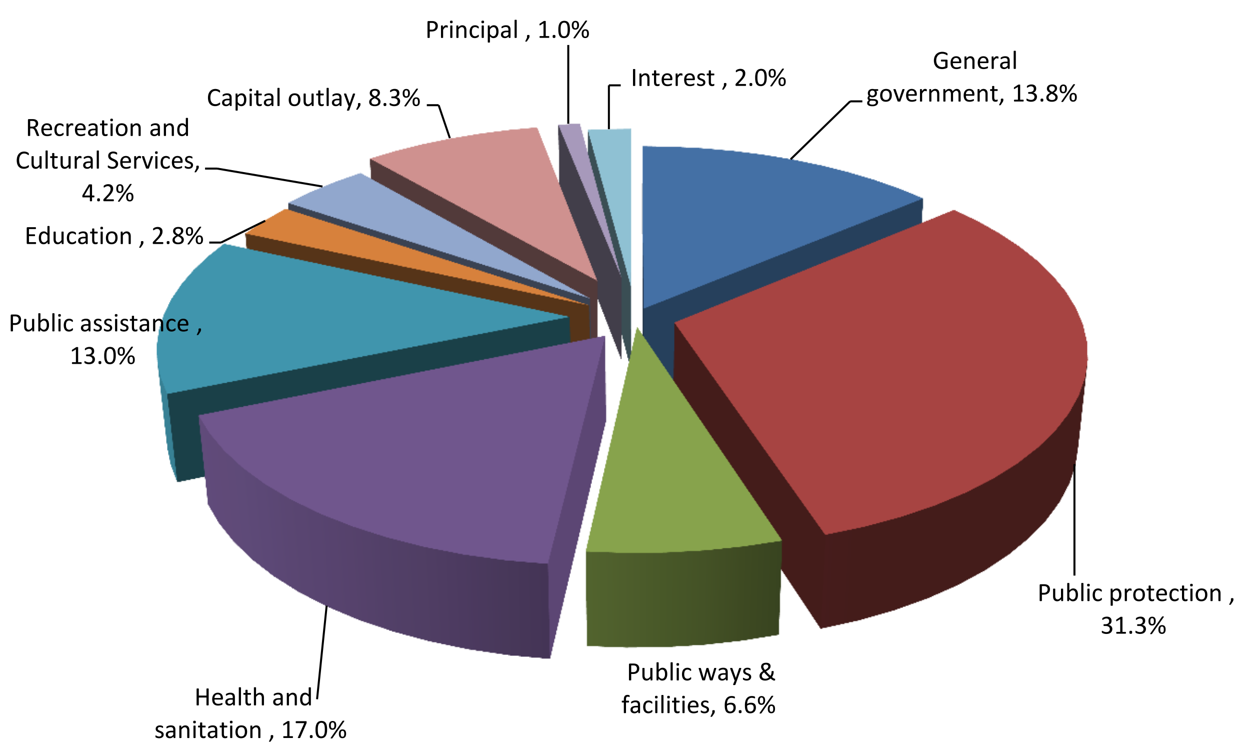
**Expenditures:**

The following table provides a comparison of expenditures by function for governmental funds for the current and prior years. Further details are provided in Figure 6 table.

**Expenditures by Function Including Capital Outlay**
**Governmental Funds**
**Fund Financial Statements**
**For the Year Ended June 30, 2014**
**(in thousands)**

| | FY 2014 | | FY 2013 | | Change | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | % of total |
| Current: | | | | | | |
| General government | $ 71,713 | 13.8% | $ 113,846 | 22% | $ (42,133) | -37.0% |
| Public protection | 162,849 | 31.3% | 153,065 | 30% | 9,784 | 6.4% |
| Public w ays & facilities | 34,294 | 6.6% | 22,797 | 4% | 11,497 | 50.4% |
| Health and sanitation | 88,476 | 17.0% | 90,784 | 18% | (2,308) | -2.5% |
| Public assistance | 67,607 | 13.0% | 63,497 | 12% | 4,110 | 6.5% |
| Education | 14,600 | 2.8% | 15,542 | 3% | (942) | -6.1% |
| Recreation and cultural services | 21,899 | 4.2% | 16,866 | 3% | 5,033 | 29.8% |
| Capital outlay | 42,901 | 8.2% | 18,257 | 4% | 24,644 | 135.0% |
| Debt service: | | | | | | |
| Principal | 5,215 | 1.0% | 7,797 | 2% | (2,582) | -33.1% |
| Interest | 10,419 | 2.0% | 10,853 | 2% | (434) | -4.0% |
| Debt Issuance Costs | 172 | 0.0% | - | 0% | 172 | 0.0% |
| **Total Expenditures** | $ 520,145 | 100.0% | $ 513,304 | 100.0% | $ 6,841 | 1.3% |

**Figure 6 - Expenditure by Function - Governmental Funds**




Significant changes in the governmental funds expenditures are summarized as follows:

- General government expenditures decreased by $42.1 million, or 37%, from the prior fiscal year, primarily attributable to the County's $32.2 million one-time contribution towards the County's unfunded pension liability and $26.3 million one-time contribution towards Other Post-Employment Benefits (OPEB) liability in the prior year.

- Public protection expenditures increased by $9.8 million, or 6.4%, from the prior fiscal year, primarily due to higher worker's compensation insurance, increase in various public protections projects, such as the Phoenix Lake Integrated Regional Water Management Retrofit, Safe Pathway to Schools, East Shore Wastewater, and various storm damage projects, and increase in County fire salaries and overtime due to an increase in California state fire reimbursements.

- Public ways and facilities expenditures increased by $11.5 million, or 50.4%, from the prior fiscal year, attributable to pavement resurfacing, bridge repair projects, and the Sir Francis Drake Boulevard rehabilitation project.

- Recreation and cultural services expenditures increased by $5 million or 29.8% from the prior fiscal year, primarily attributable to expenses incurred by Parks and Open Space for Measure A.

- Capital outlay expenditures increased by $24.6 million, or 135%, from the prior fiscal year. This increase was primarily due to construction and management services required to renovate 1600 Los Gamos Drive building in San Rafael, which serves as the County's new Emergency Operations Facility.

## Proprietary Funds

The County's proprietary funds provide the same type of information that can be found in the government-wide financial statements, but in more detail.

### Housing Authority of the County of Marin

- At December 31, 2013, the Authority's total net position was $26.5 million. Of this amount, net investment in capital assets was $17 million, or 64% of total fund balance, restricted net position was $6.8 million, or 25.6% of total fund balance, and unrestricted net position was $2.7 million, or 10.3% of total fund balance. As a measure of the Authority's liquidity, it may be useful to compare unrestricted net position to total operating expenses. Unrestricted net position of $2.7 million was 7% of total operating expenses of $40.7 million, as compared to 6.6% in the prior fiscal year.

- Total net position of the Authority decreased by $1.6 million mainly due to $1.2 million annual depreciation of capital assets and the $0.7 million increase in Housing Assistance Payments (HAP) expenses. The increase in HAP expenses were funded with prior years' restricted net assets.

- The largest portion of the Authority's ending net position, $17 million, or 64%, represents its investment in capital assets, net of related debt (e.g. land, buildings and improvements, furniture, and equipment, less the corresponding debt issued to acquire those assets). These assets are not available for future spending. At the end of the fiscal year, the Housing Authority reported positive balances in all categories of net position.

### Marin County Transit District

- At June 30, 2014, Marin Transit District's total net position was $16.4 million. Of this amount, net investment in capital assets was $7.2 million, or 44% of total fund balance, and unrestricted net position was $9.2 million, or 56% of total net position. As a measure of the District's liquidity, it may be useful to compare unrestricted net position to total operating expenses. Unrestricted net position of $9.2 million was 34% of total operating expenses of $26.9 million.

- Total net position of Marin Transit District increased by $3.0 million, as a result of a $3.0 million increase intergovernmental revenues due to increased Measure A operating funds, increased Federal operating grants, and increased state Transportation Development Act funds.

- Marin Transit District's net investment in capital assets of $7.2 million represents its investment in capital assets, net of related debt (e.g. land, buildings and improvements, furniture, and equipment, less the corresponding debt issued to acquire those assets). These assets are not available for future spending. At the end of the fiscal year, Marin Transit reported positive balances in all categories of net position.

## IV. Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to $1,469.5 million (net of accumulated depreciation), which is an increase of $23.2 million, or 1.6%. This investment is in a broad range of capital assets including land, easements, construction in progress (CIP), structures and improvements, equipment, and infrastructure. The table on the following page provides a comparison of the County's capital assets for the governmental and business-type activities for the current and prior fiscal years. Figures are presented net of accumulated depreciation.

**Capital Assets (Net of Depreciation)**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 Restated | 2014 | 2013 | 2014 | 2013 Restated | Amount | % Change |
| Land | $ 1,242,630 | $1,242,514 | $ 6,274 | $ 6,299 | $1,248,904 | $1,248,813 | $ 91 | 0.0% |
| Easements | 8,999 | 8,999 | - | - | 8,999 | 8,999 | - | 0.0% |
| Construction in progress | 47,005 | 14,487 | 4,182 | 6,934 | 51,187 | 21,421 | 29,766 | 139.0% |
| Structures & improvements | 95,361 | 103,523 | 19,086 | 17,074 | 114,447 | 120,597 | (6,150) | -5.1% |
| Equipment | 8,660 | 9,578 | 8,473 | 5,645 | 17,133 | 15,223 | 1,910 | 12.5% |
| Infrastructure | 26,966 | 29,232 | - | - | 26,966 | 29,232 | (2,266) | -7.8% |
| Other property | - | - | 1,886 | 1,980 | 1,886 | 1,980 | (94) | -4.7% |
| Total | $ 1,429,621 | $1,408,333 | $ 39,901 | $ 37,932 | $1,469,522 | $1,446,265 | $ 23,257 | 1.6% |

The most notable capital asset transactions during the current fiscal year include the following:

- Construction in progress increased by $29.8 million, or 139%, from the prior fiscal year. The increase was the result of the construction and management services required to renovate 1600 Los Gamos Drive building in San Rafael, which serves as the County's new Emergency Operations Facility.

- Structures and improvements decreased by $6.1 million, or 5.1%, from the prior fiscal year. The decrease was primarily due to current year depreciation expense of $9.5 million, offset by $3.1 million of transfers from construction in progress due to completion of the project by Housing Authority.

- Equipment increased by $1.9 million, or 12.5% from the prior fiscal year. The increase was primarily attributable to additions of $6.1 million, offset by current year depreciation expense of $4.7 million.

- Infrastructure decreased by $2.3 million, or 7.8%, from the prior fiscal year. The decrease was primarily due to current year depreciation expense of $10.2 million, offset by $8 million of transfers from completed construction in progress projects

- Additional capital assets information, including depreciation and remaining construction in progress as of June 30, 2014, can be found in Note 6 to the financial statements on pages 52 – 53.

## V. Debt Administration

**Outstanding Debt**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | Dollar Change | Percent Change |
| Bonds payable | $ 160,798 | $ 162,423 | $ - | $ - | $ 160,798 | $ 162,423 | $ (1,625) | -1.0% |
| Loans payable | 2,780 | 2,766 | 4,535 | 4,212 | 7,315 | 6,978 | 337 | 4.8% |
| Certificates of participation | 68,731 | 71,097 | - | - | 68,731 | 71,097 | (2,366) | -3.3% |
| Capital leases | 700 | 1,103 | 2,147 | 2,172 | 2,847 | 3,275 | (428) | -13.1% |
| Total | $ 233,009 | $ 237,389 | $ 6,682 | $ 6,384 | $ 239,691 | $ 243,773 | $ (4,082) | -1.7% |

At June 30, 2014, the County's governmental and business-type activities carried an outstanding long-term debt balance in the amount of $239.7 million as compared to $243.8 million in the prior fiscal year. The overall decrease of $4.1 million, or 1.7%, was primarily due to current year scheduled debt service payments of $5.8 million, offset by $0.6M new loans for Housing Authority to acquire below market rate units in danger of foreclosure, $0.3M for County for Energy Conservation Loan, and $0.8 adjustment for accretion for Tobacco Settlement Bonds.

Additional information on the County's long-term debt can be found in Note 8 to the financial statements on pages 55 – 59.

## VI. GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year, there was $25.6 million, or 7% increase in appropriations between the original budget and the final amended budget. The major components of the increase were as follows:

- Appropriations for general government function decreased by $4.8 million. This decrease is the result of the overall decrease in non-department expenditures to support various County's projects.

- Appropriations for public protection function increased by $16.6 million. This increase is mainly due to the following two major groups of activities: public works projects and public safety programs. Approximately $8.9 million of this increase was due to the Phoenix Lake Integrated Regional Water Management Retrofit Project, Safe Pathway to Schools program, Proposition 84 ASBS, East Shore Wastewater Phase 2 project, various storm damage projects, the Countywide Watershed Stewardship Plan and the roof replacement project for the County's Emergency Operations Facility. Additionally, there was a $3.0 million increase in County fire salaries and overtime due to an increase in California state fire reimbursements, and a $1.0 million increase in the District Attorney Office expenditures.

- Appropriations for public ways and facilities function increased by $7.6 million. This increase is mainly due to a $1.3 million increase for the Cal Park Tunnel project, $2.3 million increase in several multi-use pathways projects, $0.8 million increase for bike lanes, signs, and facilities projects, and other public work projects. This increase is mainly supported by a one-time $1 million surplus revenues from educational revenue augmentation fund (ERAF) received in fiscal year 2014 and use of prior year fund balance.

- Appropriations for public assistance function increased by $4.3 million. This increase is mainly due to $4.6 million increase in public assistance eligibility, AIDS assistance payments and employments services programs, as a result of the increase in revenues from the Vehicle License Fees, the Public Safety Realignment and the Medi-Cal programs, the later resulting from the Affordable Healthcare Act. This increase is partially offset by a $0.3 million decrease $0.3 as a result of cost recoveries in the planning programs.

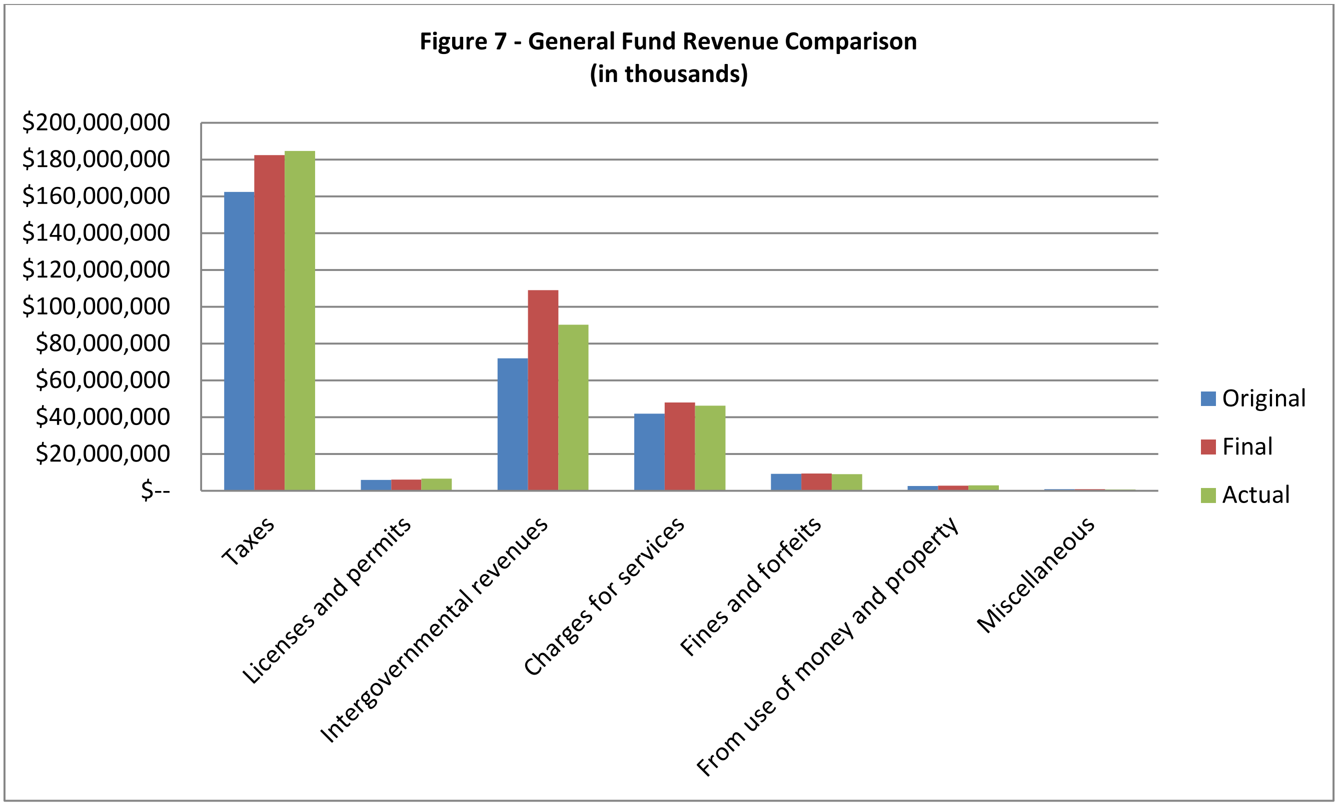


Figure 7 - General Fund Revenue Comparison
(in thousands)
$200,000,000
$180,000,000
$160,000,000
$140,000,000
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$--
Taxes
Licenses and permits
Intergovernmental revenues
Charges for services
Fines and forfeits
From use of money and property
Miscellaneous
Original
Final
Actual

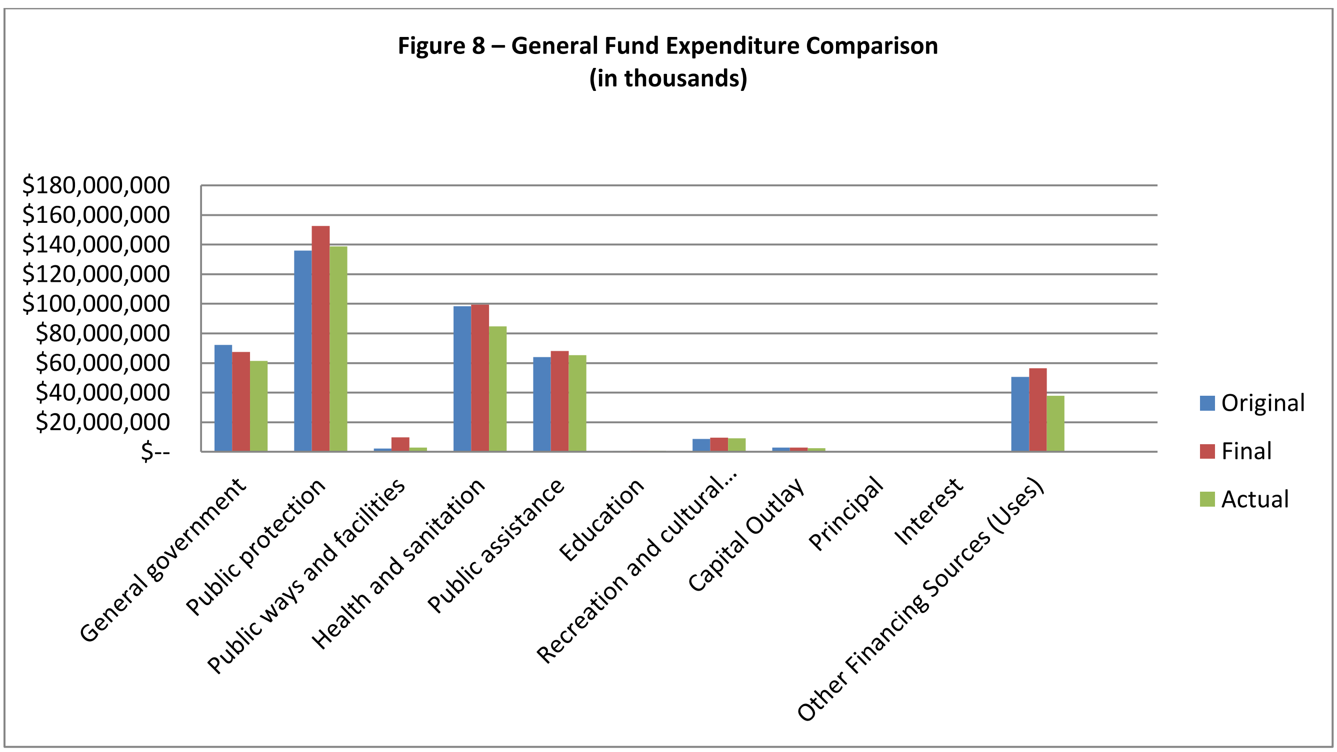


Figure 8 – General Fund Expenditure Comparison
(in thousands)
$180,000,000
$160,000,000
$140,000,000
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$--
General government
Public protection
Public ways and facilities
Health and sanitation
Public assistance
Education
Recreation and cultural...
Capital Outlay
Principal
Interest
Other Financing Sources (Uses)
Original
Final
Actual

## ECONOMIC FACTORS AND THE OUTLOOK FOR FY 2014-16 BUDGET

In the context of an improving local economy, the County's budget for FY 2014-16 was prepared in consideration of the following economic factors:

- The County's unemployment rate for June 2014 was 4%, a 1.1% decrease from 5.1% a year ago as a result of the continuing economic recovery.
- The median sales price for a single family residence in Marin County increased by 9% from June 2013 to June 2014. Increases in property values generate higher property tax revenues and reduce the number of property reassessment appeal filings.
- Consistent with the Board's adopted budget policies, the budget reflects payments necessary to fund the County's Other Post-Employment Benefit (OPEB) unfunded liability.
- The State of California adopted the 2014-2015 budget on time. The State's budget includes a continuing source of funds from the Governor-sponsored Proposition 30 tax initiative. The improving condition of State finances has eliminated a significant uncertainty under which past County budgets were adopted.

## VII. REQUEST FOR INFORMATION

This financial report is designed to demonstrate accountability by the Marin County government by providing both long-term and near-term views of the County's finances. Questions or comments regarding any of the information presented in this report or requests for additional financial information should be addressed to:

Director of Finance
County of Marin
3501 Civic Center Dr., Room 225
San Rafael, CA 94903

# BASIC FINANCIAL STATEMENTS –
# GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank

# COUNTY OF MARIN

## Statement of Net Position
June 30, 2014

| | Primary Government: Governmental Activities | Primary Government: Business-Type Activities | Primary Government: Total | Component Units |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments | $ 312,268,604 | $ 12,677,144 | $ 324,945,748 | 873,607 |
| Restricted cash | -- | 3,304,812 | 3,304,812 | -- |
| Other outside investments | -- | 894,431 | 894,431 | -- |
| Receivables: | | | | |
| Accounts and other - net | 11,255,802 | 187,729 | 11,443,531 | 3,769 |
| Due from other agencies | 32,539,120 | 4,107,417 | 36,646,537 | -- |
| Other loans | 26,104,748 | 5,624,528 | 31,729,276 | -- |
| Inventories | 817,457 | -- | 817,457 | -- |
| Prepaid items and other assets | 2,287,366 | 1,021,505 | 3,308,871 | 20,551 |
| Restricted cash held with trustee | 15,569,897 | -- | 15,569,897 | 34,075 |
| Net pension asset | 61,102,690 | -- | 61,102,690 | -- |
| Internal balances | 922,000 | (922,000) | -- | -- |
| Property held for resale | -- | 619,375 | 619,375 | -- |
| Capital assets: | | | | |
| Nondepreciable | 1,298,634,272 | 10,455,643 | 1,309,089,915 | 714,752 |
| Depreciable, net | 130,986,455 | 29,445,194 | 160,431,649 | 386,716 |
| **Total Assets** | 1,892,488,411 | 67,415,778 | 1,959,904,189 | 2,033,470 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred fiscal charges - bonds payable, deferral on refunding | 1,026,018 | -- | 1,026,018 | -- |
| **Total Deferred Outflows of Resources** | 1,026,018 | -- | 1,026,018 | -- |
| **LIABILITIES** | | | | |
| Accounts payable and accrued expenses | 11,832,378 | 1,882,455 | 13,714,833 | 152,959 |
| Salaries and benefits payable | 8,400,579 | 202,701 | 8,603,280 | -- |
| Accrued interest payable | 3,724,458 | 15,299 | 3,739,757 | -- |
| Unearned revenues | 3,790,105 | 345,080 | 4,135,185 | 2,384 |
| Other liabilities | 2,331,714 | 998,874 | 3,330,588 | -- |
| Security deposits and escrows payable | -- | 606,278 | 606,278 | -- |
| Housing loan liability | -- | 1,732,857 | 1,732,857 | -- |
| Estimated claims | | | | |
| Due within one year | 7,218,000 | -- | 7,218,000 | -- |
| Due beyond one year | 21,860,000 | -- | 21,860,000 | -- |
| Compensated absences: | | | | |
| Due within one year | 10,922,854 | 76,334 | 10,999,188 | -- |
| Due beyond one year | 3,041,776 | 113,162 | 3,154,938 | 65,779 |
| Long-term liabilities: | | | | |
| Due within one year | 6,586,621 | 740,623 | 7,327,244 | 830,611 |
| Due beyond one year | 226,422,993 | 5,941,312 | 232,364,305 | 129,281 |
| Deferred interest on long-term debt | -- | 1,094,421 | 1,094,421 | -- |
| Liability for post-employment benefits | 97,728,133 | 436,168 | 98,164,301 | 5,838 |
| **Total Liabilities** | 403,859,611 | 14,185,564 | 418,045,175 | 1,186,852 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 1,302,696,113 | 32,713,894 | 1,335,410,007 | 205,078 |
| Restricted for: | | | | |
| General government | 23,581,903 | -- | 23,581,903 | -- |
| Public protection | 43,876,206 | -- | 43,876,206 | -- |
| Public ways and facilities | 10,583,126 | -- | 10,583,126 | -- |
| Health and sanitation | 19,139,775 | -- | 19,139,775 | -- |
| Public assistance | 34,193,553 | -- | 34,193,553 | -- |
| Education | 4,438,292 | -- | 4,438,292 | -- |
| Recreation and cultural services | 16,067,587 | -- | 16,067,587 | -- |
| Community service area projects | 16,426,416 | -- | 16,426,416 | -- |
| Debt service | 3,872,654 | -- | 3,872,654 | -- |
| Capital projects | 6,718,691 | -- | 6,718,691 | -- |
| Housing | -- | 6,793,821 | 6,793,821 | -- |
| Other purposes | 1,778,784 | -- | 1,778,784 | -- |
| Unrestricted | 6,281,718 | 13,722,499 | 20,004,217 | 641,540 |
| **Total net position** | $ 1,489,654,818 | $ 53,230,214 | $ 1,542,885,032 | $ 846,618 |

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

**COUNTY OF MARIN**

Statement of Activities
For the Fiscal Year Ended June 30, 2014

| | | Program Revenues | | |
|---|---|---|---|---|
| Functions/Programs | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Primary Government** | | | | |
| **Governmental Activities:** | | | | |
| General government | $ 84,027,170 | $ 15,154,492 | $ 16,781,649 | $ -- |
| Public protection | 156,154,574 | 50,836,345 | 36,495,455 | 970,306 |
| Public ways and facilities | 44,560,810 | 2,654,410 | 13,328,212 | 682,527 |
| Health and sanitation | 89,232,186 | 6,340,033 | 53,321,143 | -- |
| Public assistance | 68,703,203 | 2,573,993 | 64,840,676 | 228,996 |
| Education | 15,811,986 | 5,354,335 | 143,017 | -- |
| Recreation and cultural services | 25,554,382 | 3,556,544 | 519,807 | -- |
| Debt Service: | | | | |
| Interest and fiscal charges | 10,512,668 | -- | -- | -- |
| **Total governmental activities** | 494,556,979 | 86,470,152 | 185,429,959 | 1,881,829 |
| **Business-Type Activities:** | | | | |
| Housing Authority | 39,280,670 | 2,231,254 | 35,262,549 | 47,558 |
| Marin County Transit District | 27,015,173 | 5,657,919 | 18,559,479 | 1,962,595 |
| Gnoss Airport | 664,892 | 650,034 | 58,614 | -- |
| Marin County Fair | 1,623,950 | 1,458,004 | 76,362 | -- |
| Marin.Org | 1,454,281 | 1,569,818 | -- | -- |
| Marin Commons Property Management | 1,397,652 | 909,736 | -- | -- |
| Marin Center Promotions | 602,724 | 561,307 | -- | -- |
| **Total business-type activities** | 72,039,342 | 13,038,072 | 53,957,004 | 2,010,153 |
| **Total primary government** | $ 566,596,321 | $ 99,508,224 | $ 239,386,963 | $ 3,891,982 |
| **Component Units** | | | | |
| Marin County Housing Development Financing Corporation | $ 128,944 | $ 215,961 | $ -- | $ -- |
| Marin Housing Development Corporation | 306,304 | 449,671 | -- | -- |
| | $ 435,248 | $ 665,632 | $ -- | $ -- |

**General Revenues:**
Taxes:
Property taxes
Sales and use taxes
Other
Unrestricted interest and investment earnings
Tobacco settlement
Gain on sale of capital assets
Miscellaneous
Transfers
**Total general revenues and transfers**

**Change in net position**

**Net position, beginning of year - restated**

**Net position, end of year**

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

Net (Expenses) Revenues and Changes in Net Position

| Governmental Activities | Business-Type Activities | Total Primary Government | Component Unit |
|---|---|---|---|
| | | | |
| $ (52,091,029) | $ -- | $ (52,091,029) | $ -- |
| (67,852,468) | -- | (67,852,468) | -- |
| (27,895,661) | -- | (27,895,661) | -- |
| (29,571,010) | -- | (29,571,010) | -- |
| (1,059,538) | -- | (1,059,538) | -- |
| (10,314,634) | -- | (10,314,634) | -- |
| (21,478,031) | -- | (21,478,031) | -- |
| | | | -- |
| (10,512,668) | -- | (10,512,668) | -- |
| (220,775,039) | -- | (220,775,039) | -- |
| | | | |
| -- | (1,739,309) | (1,739,309) | -- |
| -- | (835,180) | (835,180) | -- |
| -- | 43,756 | 43,756 | -- |
| -- | (89,584) | (89,584) | -- |
| -- | 115,537 | 115,537 | -- |
| -- | (487,916) | (487,916) | -- |
| -- | (41,417) | (41,417) | -- |
| -- | (3,034,113) | (3,034,113) | -- |
| | | | |
| (220,775,039) | (3,034,113) | (223,809,152) | -- |
| | | | |
| $ -- | $ -- | $ -- | $ 87,017 |
| -- | -- | -- | 143,367 |
| $ -- | $ -- | $ -- | $ 230,384 |
| | | | |
| 198,608,631 | 3,447,835 | 202,056,466 | -- |
| 18,483,800 | -- | 18,483,800 | -- |
| 6,731,789 | -- | 6,731,789 | -- |
| 3,789,580 | 300,903 | 4,090,483 | 1,218 |
| 2,223,124 | -- | 2,223,124 | -- |
| -- | 143,249 | 143,249 | |
| 1,347,052 | 434,643 | 1,781,695 | -- |
| (30,337) | 30,337 | -- | -- |
| 231,153,639 | 4,356,967 | 235,510,606 | 1,218 |
| | | | |
| 10,378,600 | 1,322,854 | 11,701,454 | 231,602 |
| | | | |
| 1,479,276,218 | 51,907,360 | 1,531,183,578 | 615,016 |
| | | | |
| $ 1,489,654,818 | $ 53,230,214 | $ 1,542,885,032 | $ 846,618 |

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

This page intentionally left blank

# BASIC FINANCIAL STATEMENTS –
# FUND FINANCIAL STATEMENTS

This page intentionally left blank

# COUNTY OF MARIN

Balance Sheet
Governmental Funds
June 30, 2014

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments in County pool | $ 120,301,418 | $ 167,765,892 | $ 288,067,310 |
| Cash with fiscal agent | -- | 15,569,897 | 15,569,897 |
| Accounts receivable | 8,102,437 | 3,153,365 | 11,255,802 |
| Notes receivable - short term | -- | 275,000 | 275,000 |
| Notes receivable - long term | 1,139,525 | 19,862,792 | 21,002,317 |
| Prepaid items | 2,287,366 | -- | 2,287,366 |
| Due from other funds | 1,323,506 | -- | 1,323,506 |
| Due from other governmental agencies | 24,393,660 | 8,106,460 | 32,500,120 |
| Advances to other funds | -- | 45,400 | 45,400 |
| Inventory of supplies | 711,106 | 106,351 | 817,457 |
| Total assets | $ 158,259,018 | $ 214,885,157 | $ 373,144,175 |
| **LIABILITIES** | | | |
| Accounts payable and accrued expenses | $ 5,905,197 | $ 5,817,990 | $ 11,723,187 |
| Accrued salaries and benefits | 7,477,531 | 918,154 | 8,395,685 |
| Due to other funds | -- | 362,506 | 362,506 |
| Advances payable | -- | 45,400 | 45,400 |
| Unearned revenue | 2,856,153 | 933,952 | 3,790,105 |
| Other liabilities | 2,180,233 | 151,481 | 2,331,714 |
| Total liabilities | 18,419,114 | 8,229,483 | 26,648,597 |
| **FUND BALANCES** | | | |
| Nonspendable | 4,137,997 | 106,351 | 4,244,348 |
| Restricted | 17,650,224 | 163,026,763 | 180,676,987 |
| Committed | 77,384,472 | 525,092 | 77,909,564 |
| Assigned | 36,770,748 | 42,997,468 | 79,768,216 |
| Unassigned | 3,896,463 | -- | 3,896,463 |
| Total fund balances | 139,839,904 | 206,655,674 | 346,495,578 |
| Total liabilities and fund balances | $ 158,259,018 | $ 214,885,157 | $ 373,144,175 |

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

**COUNTY OF MARIN**

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2014

| | | |
|---|---|---|
| Fund Balance - total governmental funds (page 25) | | $ 346,495,578 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of: | | |
| Land | $ 37,504,730 | |
| Land improvements | 1,205,125,438 | |
| Easements | 8,999,188 | |
| Construction in progress | 47,004,916 | |
| Structures and improvements, net of accumulated depreciation | 95,360,747 | |
| Equipment, net of accumulated depreciation | 8,660,104 | |
| Infrastructure, net of accumulated depreciation | 26,965,604 | |
| Total capital assets | | 1,429,620,727 |
| Long-term assets used in Governmental Activities, such as the net pension asset and deferred fiscal charges, are not current financial resources and, therefore, are not reported in the Governmental Funds. | | 62,128,708 |
| Interest on loans receivable is not due in the current period and is not accrued in the governmental funds. Interest is due upon maturity of the notes. Please refer to Note 3 for details. | | 4,449,118 |
| 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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net position. Balances as of June 30 are: | | |
| Certificates of participation, bonds and loans payable | (232,309,883) | |
| Capital leases | (699,731) | |
| Accrued interest on long-term debt | (3,724,458) | |
| Compensated absences | (13,964,630) | |
| Other post employment benefits payable | (97,728,133) | |
| Claims and judgments | (5,016,000) | |
| Total long-term liabilities | | (353,442,835) |
| Internal Service Funds assets and liabilities are included in the governmental activities in the Statement of Net Position | | 403,522 |
| Net position of governmental activities (page 21) | | $ 1,489,654,818 |

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

## COUNTY OF MARIN

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes | $ 184,688,938 | $ 39,135,282 | $ 223,824,220 |
| Licenses and permits | 6,633,595 | 8,986,166 | 15,619,761 |
| Intergovernmental revenues | 90,234,890 | 97,076,899 | 187,311,789 |
| Charges for services | 46,270,795 | 14,200,352 | 60,471,147 |
| Fines and forfeits | 9,087,740 | 1,349,274 | 10,437,014 |
| From use of money and property | 2,946,146 | 368,560 | 3,314,706 |
| Miscellaneous | 660,252 | 2,879,225 | 3,539,477 |
| Total revenues | 340,522,356 | 163,995,758 | 504,518,114 |
| **Expenditures:** | | | |
| Current: | | | |
| General government | 61,415,053 | 10,297,810 | 71,712,863 |
| Public protection | 138,828,660 | 24,020,175 | 162,848,835 |
| Public ways and facilities | 2,909,232 | 31,385,197 | 34,294,429 |
| Health and sanitation | 84,744,052 | 3,731,535 | 88,475,587 |
| Public assistance | 65,370,806 | 2,236,608 | 67,607,414 |
| Education | 633,645 | 13,966,009 | 14,599,654 |
| Recreation and cultural services | 9,114,900 | 12,783,909 | 21,898,809 |
| Capital outlay | 2,466,891 | 40,434,144 | 42,901,035 |
| Debt Service: | | | |
| Principal | 166,110 | 5,048,516 | 5,214,626 |
| Interest | 53,032 | 10,366,310 | 10,419,342 |
| Debt issuance costs | -- | 172,042 | 172,042 |
| Total expenditures | 365,702,381 | 154,442,255 | 520,144,636 |
| Excess (deficiency) of revenues over (under) expenditures | (25,180,025) | 9,553,503 | (15,626,522) |
| Other Financing Sources (Uses): | | | |
| Refunding debt issued | -- | 6,413,324 | 6,413,324 |
| Payment to refunded bond escrow agent | -- | (6,003,398) | (6,003,398) |
| Transfers in | 65,883,592 | 34,312,683 | 100,196,275 |
| Transfers out | (26,139,576) | (70,435,027) | (96,574,603) |
| Total other financing sources (uses), net | 39,744,016 | (35,712,418) | 4,031,598 |
| Net change in fund balances | 14,563,991 | (26,158,915) | (11,594,924) |
| Fund balances, beginning - restated | 125,275,913 | 232,814,589 | 358,090,502 |
| Fund balances, end | $ 139,839,904 | $ 206,655,674 | $ 346,495,578 |

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

## COUNTY OF MARIN

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2014

| | | |
|---|---|---|
| Net change to fund balance - total governmental funds (page 27) | | $ (11,594,924) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Interest accrued on loans receivable not recorded in the governmental funds. | | 474,874 |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation | | |
| Expenditures for general capital assets, infrastructure, and other related capital assets adjustments | 43,452,496 | |
| Less: current year depreciation | (22,165,354) | 21,287,142 |
| Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. | | |
| Amortization of bond discount/premium | 94,484 | |
| Amortization of loss on refunding | (146,574) | |
| Refunding bond debt issued | (303,324) | |
| Accretion of loan payable | (779,647) | |
| Loans payable issued | (250,000) | |
| Repayment on loan payable | 235,611 | |
| Repayment of bonds and certificates of participation | 4,979,020 | |
| Net adjustment | | 3,829,570 |
| Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. | | |
| Repayment on capital leases | | 403,287 |
| 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 compensated absences | (73,715) | |
| Amortization of net pension asset | (4,700,210) | |
| Other post employment benefits liability | 202,309 | |
| Change in claims liability | 22,000 | |
| Accrued interest on long-term debt | 65,364 | |
| Net adjustment | | (4,484,252) |
| Internal service funds are used by the County to charge the cost of worker's compensation insurance to individual funds. The net revenue (expense) of internal service fund is reported with governmental activities. | | 462,903 |
| Change in net position of governmental activities (pages 22-23) | | $ 10,378,600 |

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

## COUNTY OF MARIN

Statement of Net Position
Proprietary Funds
June 30, 2014/December 31, 2013

| | Business-type Activities | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Housing Authority 12/31/2013 | Marin Transit District 6/30/2014 | Nonmajor Enterprise Funds 6/30/2014 | Total | Workers' Compensation Internal Service 6/30/2014 |
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash and investments in County pool | $ -- | $ 6,577,637 | $ 1,596,046 | $ 8,173,683 | $ 24,201,294 |
| Cash with fiscal agent | -- | -- | 894,431 | 894,431 | -- |
| Other cash | 4,503,461 | -- | -- | 4,503,461 | -- |
| Receivables: | | | | | |
| Accounts | 78,379 | -- | -- | 78,379 | -- |
| Other | -- | -- | 109,350 | 109,350 | 378,313 |
| Prepaid items and other assets | 173,482 | 48,126 | 799,897 | 1,021,505 | -- |
| Short-term notes receivable | 2,318 | -- | -- | 2,318 | -- |
| Due from other governments | 447,370 | 3,660,047 | -- | 4,107,417 | -- |
| Assets held for resale | 619,375 | -- | -- | 619,375 | -- |
| Total current assets | 5,824,385 | 10,285,810 | 3,399,724 | 19,509,919 | 24,579,607 |
| Noncurrent Assets: | | | | | |
| Restricted cash | 3,304,812 | -- | -- | 3,304,812 | -- |
| Long-term notes receivable | 5,622,210 | -- | -- | 5,622,210 | -- |
| Capital assets: | | | | | |
| Nondepreciable | 3,731,249 | 1,024,112 | 5,700,282 | 10,455,643 | -- |
| Depreciable, net | 20,432,864 | 6,177,140 | 2,835,190 | 29,445,194 | -- |
| Total noncurrent assets | 33,091,135 | 7,201,252 | 8,535,472 | 48,827,859 | -- |
| **Total assets** | 38,915,520 | 17,487,062 | 11,935,196 | 68,337,778 | 24,579,607 |
| **LIABILITIES** | | | | | |
| Current Liabilities: | | | | | |
| Vouchers and accounts payable | 592,547 | 885,423 | 404,485 | 1,882,455 | 109,191 |
| Interest payable | 8,087 | -- | 7,212 | 15,299 | -- |
| Accrued salaries and benefits | 97,057 | 93,228 | 12,416 | 202,701 | 4,894 |
| Other liabilities | 755,210 | -- | 243,664 | 998,874 | -- |
| Due to other funds | -- | -- | 922,000 | 922,000 | -- |
| Unearned revenues | 259,452 | 46,202 | 39,426 | 345,080 | -- |
| Compensated absences | 36,265 | 24,382 | 15,687 | 76,334 | -- |
| Mortgages payable | 626,012 | -- | -- | 626,012 | -- |
| Capital leases | 114,611 | -- | -- | 114,611 | -- |
| Estimated claims | -- | -- | -- | -- | 5,967,000 |
| Total current liabilities | 2,489,241 | 1,049,235 | 1,644,890 | 5,183,366 | 6,081,085 |
| Long-Term Liabilities: | | | | | |
| Security deposits and escrows payable (payable from restricted assets) | 606,278 | -- | -- | 606,278 | -- |
| Compensated absences | 108,794 | -- | 4,368 | 113,162 | -- |
| Loan liability | 1,732,857 | -- | -- | 1,732,857 | -- |
| Mortgages payable | 3,909,288 | -- | -- | 3,909,288 | -- |
| Capital leases | 2,032,024 | -- | -- | 2,032,024 | -- |
| Deferred interest due on long-term debt | 1,094,421 | -- | -- | 1,094,421 | -- |
| Other post-employment benefits | 436,168 | -- | -- | 436,168 | -- |
| Estimated claims | -- | -- | -- | -- | 18,095,000 |
| Total noncurrent liabilities | 9,919,830 | -- | 4,368 | 9,924,198 | 18,095,000 |
| Total liabilities | 12,409,071 | 1,049,235 | 1,649,258 | 15,107,564 | 24,176,085 |
| **NET POSITION** | | | | | |
| Net investment in capital assets | 16,977,170 | 7,201,252 | 8,535,472 | 32,713,894 | -- |
| Restricted for housing | 6,793,821 | -- | -- | 6,793,821 | -- |
| Unrestricted | 2,735,458 | 9,236,575 | 1,750,466 | 13,722,499 | 403,522 |
| Total net position | $ 26,506,449 | $ 16,437,827 | $ 10,285,938 | $ 53,230,214 | $ 403,522 |

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

## COUNTY OF MARIN

Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014/December 31, 2013

| | Business-Type Activities | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Housing Authority 12/31/2013 | Marin Transit District 6/30/2014 | Nonmajor Enterprise Funds 6/30/2014 | Total | Workers' Compensation Internal Service 6/30/2014 |
| **Operating Revenues:** | | | | | |
| Charges for services | $ 1,521,421 | $ 5,657,919 | $ 5,148,899 | $ 12,328,239 | $ 9,182,478 |
| Other revenue | 2,281,671 | -- | 90,127 | 2,371,798 | 30,699 |
| Total operating revenues | 3,803,092 | 5,657,919 | 5,239,026 | 14,700,037 | 9,213,177 |
| **Operating Expenses:** | | | | | |
| Salaries and employee benefits | -- | 1,423,660 | 740,515 | 2,164,175 | 1,207,389 |
| Services and supplies | -- | 23,213,898 | 4,746,908 | 27,960,806 | 3,372 |
| Housing assistance | 39,555,045 | -- | -- | 39,555,045 | -- |
| Claims expense | -- | -- | -- | -- | 3,887,504 |
| Depreciation | 1,171,626 | 937,139 | 256,076 | 2,364,841 | -- |
| Other operating | -- | 1,355,476 | -- | 1,355,476 | -- |
| Total operating expenses | 40,726,671 | 26,930,173 | 5,743,499 | 73,400,343 | 5,098,265 |
| **Operating Income (Loss)** | (36,923,579) | (21,272,254) | (504,473) | (58,700,306) | 4,114,912 |
| **Non-Operating Revenues (Expenses):** | | | | | |
| Property tax revenue | -- | 3,447,835 | -- | 3,447,835 | -- |
| Intergovernmental revenue | 35,262,549 | 18,559,479 | 134,976 | 53,957,004 | -- |
| Advertising revenue | -- | 344,516 | -- | 344,516 | -- |
| Investment income - unrestricted | 88,554 | 5,399 | 290,610 | 384,563 | -- |
| Interest expense | (209,497) | -- | -- | (209,497) | -- |
| Sale of capital assets | 113,078 | 30,171 | -- | 143,249 | -- |
| Other non-operating expense | -- | (85,000) | -- | (85,000) | -- |
| Total non-operating revenues | 35,254,684 | 22,302,400 | 425,586 | 57,982,670 | -- |
| **Income (Loss) Before Capital Contributions and Transfers** | (1,668,895) | 1,030,146 | (78,887) | (717,636) | 4,114,912 |
| Capital contributions | 47,558 | 1,962,595 | -- | 2,010,153 | -- |
| Transfers in | -- | -- | 50,000 | 50,000 | -- |
| Transfers out | -- | (9,820) | (9,843) | (19,663) | (3,652,009) |
| **Change in net position** | (1,621,337) | 2,982,921 | (38,730) | 1,322,854 | 462,903 |
| Net position, beginning - restated | 28,127,786 | 13,454,906 | 10,324,668 | 51,907,360 | (59,381) |
| Net position, end | $ 26,506,449 | $ 16,437,827 | $ 10,285,938 | $ 53,230,214 | $ 403,522 |

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014/December 31, 2013

| | Business-Type Activities - Enterprise Funds | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Housing Authority 12/31/2013 | Marin Transit District 6/30/2014 | Nonmajor Enterprise Funds 6/30/2014 | Total | Workers' Compensation Internal Service 6/30/2014 |
| **Cash Flows from Operating Activities** | | | | | |
| Cash receipts from customers | $ 2,565,861 | $ 3,719,719 | $ 4,477,442 | $ 10,763,022 | $ -- |
| Cash receipts from internal fund services provided | -- | 1,906,714 | -- | 1,906,714 | 8,957,491 |
| Cash paid to suppliers for goods and services | (33,966,508) | (25,292,746) | (4,998,056) | (64,257,310) | (3,847,200) |
| Cash paid to employees for salaries and benefits | (4,520,880) | (915,680) | (737,434) | (6,173,994) | (1,208,659) |
| Net cash provided (used) by operating activities | (35,921,527) | (20,581,993) | (1,258,048) | (57,761,568) | 3,901,632 |
| **Cash Flows from Noncapital Financing Activities** | | | | | |
| Property tax revenues | -- | 3,447,835 | -- | 3,447,835 | -- |
| Operating grants received | 35,599,675 | -- | -- | 35,599,675 | -- |
| Intergovernmental revenues | -- | 20,197,699 | 134,976 | 20,332,675 | -- |
| Repayment of notes receivable | 239,100 | -- | -- | 239,100 | -- |
| Other restricted receipts | 7,500 | -- | -- | 7,500 | -- |
| Interfund loans | -- | -- | 922,000 | 922,000 | -- |
| Notes receivable issued | (758,821) | -- | -- | (758,821) | -- |
| Interest received on notes receivable | 74,788 | -- | -- | 74,788 | -- |
| Related party transactions | 132,105 | -- | -- | 132,105 | -- |
| Debt issued to acquire assets held for sale | 350,000 | -- | -- | 350,000 | -- |
| Principal paid on debt used to acquire assets held | (165,000) | -- | -- | (165,000) | -- |
| Funds returned to the granting agency | (19,607) | -- | -- | (19,607) | -- |
| Interest paid on debt used to acquire assets held | (5,362) | -- | -- | (5,362) | -- |
| Internal activities - payment to other funds | -- | -- | 50,000 | 50,000 | -- |
| Transfers out | -- | (9,820) | (9,843) | (19,663) | (3,652,009) |
| Transfers in | -- | -- | 50,000 | 50,000 | -- |
| Net cash provided (used) by noncapital financing activities | 35,454,378 | 23,635,714 | 1,147,133 | 60,237,225 | (3,652,009) |
| **Cash Flows from Capital and Related Financing Activities** | | | | | |
| Principal repayments on long-term debt | (154,299) | -- | -- | (154,299) | -- |
| Capital contributions | 47,558 | 4,403,023 | -- | 4,450,581 | -- |
| Interest repayments related to capital purposes | (47,558) | -- | -- | (47,558) | -- |
| Proceeds from sale of capital assets | 198,926 | 30,171 | -- | 229,097 | -- |
| Payments related to the acquisition of capital assets | (2,227,879) | (2,024,684) | (147,063) | (4,399,626) | -- |
| Net cash provided (used) by capital and related financing activities | (2,183,252) | 2,408,510 | (147,063) | 78,195 | -- |
| **Cash Flows from Investing Activity** | | | | | |
| Interest and investments earnings received | 9,034 | 5,399 | 290,610 | 305,043 | -- |
| Net increase (decrease) in cash and cash equivalents | (2,641,367) | 5,467,630 | 32,632 | 2,858,895 | 249,623 |
| Cash and cash equivalents, beginning of year, restated | 10,449,640 | 1,110,007 | 2,457,845 | 14,017,492 | 23,951,671 |
| Cash and cash equivalents, end of year | $ 7,808,273 | $ 6,577,637 | $ 2,490,477 | $ 16,876,387 | $ 24,201,294 |

continued

## COUNTY OF MARIN

Statement of Cash Flows (continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2014/December 31, 2013

| | Business-Type Activities - Enterprise Funds | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Housing Authority 12/31/2013 | Marin Transit District 6/30/2014 | Nonmajor Enterprise Funds 6/30/2014 | Total | Workers' Compensation Internal Service 6/30/2014 |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | | |
| Operating income (loss) | $ (36,923,579) | $ (21,272,254) | $ (504,473) | $ (58,700,306) | $ 4,114,912 |
| Depreciation | 1,171,626 | 937,139 | 256,076 | 2,364,841 | -- |
| Funds returned to government entities | 185,975 | -- | -- | 185,975 | -- |
| Bad debt written off | 34,534 | -- | -- | 34,534 | -- |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | 38,365 | (31,486) | (52,759) | (45,880) | (378,313) |
| Assets held for sale | (336,001) | -- | -- | (336,001) | -- |
| Prepaid items and other assets | (29,674) | 39,700 | (799,897) | (789,871) | 122,627 |
| Increase (decrease) in: | | | | | |
| Accounts payable | (47,782) | (303,723) | (251,147) | (602,652) | 43,676 |
| Salaries payable | (12,078) | 68,031 | (1,709) | 54,244 | (1,270) |
| Unearned revenue | 34,546 | -- | 39,426 | 73,972 | -- |
| Liability for compensated absences | (38,407) | (19,400) | 4,790 | (53,017) | -- |
| Other liabilities | (119,957) | -- | 51,645 | (68,312) | -- |
| Other post-employment benefits liability | 75,915 | -- | -- | 75,915 | -- |
| Deposits and escrow | 44,990 | -- | -- | 44,990 | -- |
| **Net Cash Provided (Used) by Operating Activities** | $ (35,921,527) | $ (20,581,993) | $ (1,258,048) | $ (57,761,568) | $ 3,901,632 |

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

**COUNTY OF MARIN**

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

| **ASSETS** | Investment Trust Funds | Agency Funds | Private Purpose Trust Funds |
|---|---|---|---|
| Current Assets: | | | |
| Cash and investments | $ 387,093,781 | $ 38,067,670 | $ 1,766,628 |
| Cash with fiscal agent | -- | 1,080,040 | 64,775 |
| Taxes receivable | -- | 19,252,261 | -- |
| Accounts receivables | -- | 644,776 | 47,250 |
| Prepaid items | -- | 1,008,665 | -- |
| Note receivables | -- | -- | 110,000 |
| Capital assets: | | | |
| Nondepreciable | -- | -- | 30,014 |
| Total current assets | 387,093,781 | 60,053,412 | 2,018,667 |
| **LIABILITIES:** | | | |
| Accounts payable | -- | -- | 182,935 |
| Accrued interest payable | -- | -- | 174,604 |
| Due to other funds | -- | 39,000 | -- |
| Other liabilities | -- | -- | 564,932 |
| Noncurrent liabilities: | | | |
| Due within one year | -- | -- | 480,000 |
| Due in more than one year | -- | -- | 9,040,000 |
| Agency funds held for others | -- | 60,014,412 | -- |
| Total liabilities | -- | 60,053,412 | 10,442,471 |
| **NET POSITION** | | | |
| Net position (deficit) held in trust for investment pool participants and others | 387,093,781 | -- | (8,423,804) |
| Total net position | $ 387,093,781 | $ -- | $ (8,423,804) |

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

## COUNTY OF MARIN

Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

| | Investment Trust Funds | Private Purpose Trust Funds |
|---|---|---|
| **Additions:** | | |
| Property tax revenue | $ -- | $ 1,305,166 |
| Contributions to investment pool | 1,023,310,533 | -- |
| Interest | 621,043 | 890 |
| Agency receipts | -- | 21,915 |
| Total additions | 1,023,931,576 | 1,327,971 |
| **Deductions:** | | |
| Distributions from investment pool | 1,091,033,919 | -- |
| Administrative and other | -- | 623,834 |
| Interest expense | -- | 527,594 |
| Total deductions | 1,091,033,919 | 1,151,428 |
| Change in net position | (67,102,343) | 176,543 |
| **Net position, beginning** | 454,196,124 | (8,600,347) |
| **Net position, ending** | $ 387,093,781 | $ (8,423,804) |

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

# BASIC FINANCIAL STATEMENTS –
# NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Marin (the County) conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The following is a summary of significant accounting policies:

*A. Description of the Reporting Entity*

The reporting entity refers to the scope of activities, organizations, and functions included in the financial statements. The County is a political subdivision created by 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 the general laws of the State and is governed by an elected five member Board of Supervisors (the Board).

The governmental reporting entity consists of the County (primary government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

As required by generally accepted accounting principles, these financial statements present the financial activity of the County and its component units. Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities are in substance part of the government's operations, and as such data from these units are combined with data of the primary government for financial reporting purposes. Discretely presented component units, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its discretely presented component units.

*B. Discretely Presented Component Units*

*Marin County Housing Development Financing Corporation (MCHDFC):*
The Marin County Housing Development Financing Corporation (MCHDFC) is a California non-profit public benefit corporation established to provide assistance to the Housing Authority of the County of Marin, a public body, corporate and politic in the State of California, by financing or carrying out the acquisition, construction, rehabilitation, remodeling and equipping of rental housing units for persons of low income, together with related facilities and improvements as are necessary or convenient or incidental to their use, on sites located in the County of Marin, to develop and construct low-income housing through use of government financing, subsidies and other available resources to alleviate housing problems affecting low and moderate income families, elderly individuals and handicapped citizens. MCHDFC is a nonprofit corporation as described in section 501(c)(4) of the Internal Revenue Code and is exempt from federal income taxes and California franchise taxes. MCHDFC owns a 15-unit property known as Bradley House, located in Tiburon, California. The Board of MCHDFC is made up of nine directors, four of which are employees of the Housing Authority of the County of Marin.

Since MCHDFC and MHDC are other organizations for which the nature and significance of their relationship with the Housing Authority and the County of Marin (County) are such that exclusion from the financial statements would cause the County's financial statements to be misleading or incomplete, these entities have been included in the County's financial statements as discretely presented component units.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

*B. Discretely Presented Component Units* (continued)

*Marin Housing Development Corporation:*
The Marin Housing Development Corporation (MHDC) is a California non-profit public benefit corporation, was established to maintain, improve, and increase the supply of affordable housing in the County of Marin, California, by financing or carrying out the acquisition, construction, rehabilitation, remodeling and equipping of housing units for persons of low income. MHDC is a nonprofit corporation as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes and California franchise taxes. MHDC owns a 28-unit apartment complex known as the Sundance Apartments, located in San Rafael, California. The Board of MHDC is comprised of nine directors, four of which are current employees of the Housing Authority of the County of Marin.

*C. Blended Component Units*

The following blended component units, although legally separate entities, are considered to be part of the primary government for financial reporting purposes because their boards are comprised of County Board members, and/or they provide services exclusively to the County, and/or there exists a financial benefit or burden relationship:

*Golden Gate Tobacco Funding Corporation:*
The Golden Gate Tobacco Funding Corporation (the Funding Corporation) is a non-profit public benefit corporation established in June 2002 for the purpose of providing tobacco securitization financing to the County. The Funding Corporation is governed by a three-person board of directors consisting of two directors who are employees of the County and one independent director who is not. The Funding Corporation's asset-backed bonds are secured by tobacco revenues received per the Master Settlement Agreement.

*In Home Supportive Services (IHSS) Public Authority of Marin:*
The IHSS Public Authority of Marin assists IHSS clients in finding qualified in-home caregivers. Though a legally separate entity, the IHSS Public Authority is programmatically integrated into the County service systems for aged, blind, and disabled individuals (including children). Its authority is governed by an eleven-member Governing Board appointed in its majority by the County of Marin Board of Supervisors.

*Marin County Fair:*
The Marin County Fair is a component unit with a December 31st year-end. The County's Board of Supervisors serves as the governing Board of Marin County Fair. County management conducts the activities of this component unit in essentially the same manner as it manages its own activities.

*Housing Authority of the County of Marin:*
The Housing Authority of the County of Marin (the Authority), pursuant to the state of California's Health and Safety Code, was formed in January 1942 by a resolution of the Marin County Board of Supervisors. Its governance structure is comprised of a seven member Board of Commissioners, five of which are the County's Board of Supervisors, plus two tenant Commissioners. The Authority is responsible for the development and implementation of housing programs and activities within the County of Marin. The Authority has a December 31st year-end and issues a separate financial report that can be obtained by contacting the Housing Authority at 4020 Civic Center Drive, San Rafael, CA 94903.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

*C. Blended Component Units* (continued)

*Marin County Law Library*:
The Marin County Law Library serves the general public by providing patrons with access to legal information resources in a variety of media with research assistance. Its governance structure is comprised of the County's Board of Supervisors. County management conducts the activities of this component unit in essentially the same manner as it manages its own activities.

*Marin County Open Space District:*
The Marin County Open Space District is responsible for planning, acquiring, and managing the County's approximately 15,000 acres of open space and 160 miles of public trails. Its governance structure is comprised of a seven member Parks & Open Space Commission, five seats of which are the County of Marin Board of Supervisors, plus two members of the general public.

*Marin County Transit District:*
The Marin County Transit District (Marin Transit District) is an autonomous district created by the authority of the Marin County Transit District Act of 1964. The District's purpose is to develop, finance, organize, and operate local transit service. Its Board of Directors is comprised of the County's Board of Supervisors plus three City Council members. Transit District revenue is derived principally from property taxes, financial aid provided by other governmental entities, transportation contract revenue, and transit fare revenue. The financial statements of the Marin County Transit District are available at 711 Grand Avenue, Suite 110, San Rafael, CA 94901.

*Sewer Maintenance, County Service Areas, Lighting, Permanent Road Districts, Flood Control Zone and Water Conservation, and other Special Districts:*
The County Board of Supervisors is the governing body of the Sewer Maintenance, County Service Areas, Lighting, Permanent Road Districts, Flood Control Zone and Water Conservation, and other Special Districts (special districts). Among its duties, the County Board approves the budgets, special taxes, and fees of these special districts. As an integral part of the County, these special districts are reported as non-major special revenue funds in the County's financial statements.

*D. Basis of Presentation*

*Government-Wide Financial Statements*

*The Statement of Net Position* and *the Statement of Activities* display information about the primary government and its blended component units. These statements include the 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 great extent on fees charged to external parties.

*The Statement of Activities* demonstrates the degree to which program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific program or function. Interest expense related to long-term debt is reported as a direct expense. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Interfund charges, which equal or approximate the external exchange value of services provided, are reported as program revenues. Interfund reimbursements, repayments from the funds responsible for particular expenses to the funds that initially paid for them, are treated as an adjustment to expenses.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

*D. Basis of Presentation, Continued*

Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues. When both restricted and unrestricted net position is available, unrestricted resources are used only after the restricted resources are depleted.

*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 and enterprise funds are separately aggregated and reported as non-major funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental fund:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation and cultural services.

The County reports the following major enterprise funds:

- The *Housing Authority of the County of Marin* accounts for the activities of the Authority, a blended component unit of the County. The Housing Authority provides housing assistance to low and moderate income residents of Marin County. The Housing Authority's year end was December 31, 2013.

- The *Marin County Transit District* accounts for activities related to the provision of transit services within the County.

The County reports the following additional fund types:

- *The Internal Service Fund* accounts for the financing of goods and services provided by one department or agency to other departments or agencies of the County or other governmental units on a cost reimbursement basis. Activities relate to the County's workers' compensation self-insurance plan.

- *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash in the County Treasurer's investment pool. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass-through funds for tax collections for cities and towns. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

*D. Basis of Presentation, Continued*

- *Agency Funds* are custodial in nature and do not involve measurements of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the County in an agency capacity for various local government units and individuals.

- *Private Purpose Trust Fund* is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefits other governments. This fund reports the assets, liabilities, and activities of the Successor Agency to the County of Marin Redevelopment Agency.

*E. Basis of Accounting*

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when cash flow occurs. Non-exchange transactions, in which the County provides (or receives) value without directly receiving (or providing) equal value in exchange, include property and sales taxes, grants, entitlements and donations. Under the accrual basis, revenues from property taxes are recognized in the fiscal year for which taxes are levied. Revenues from sales taxes 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. Most revenue sources, such as sales taxes, interest, certain state and federal grants and charges for services are accrued when services are provided or when taxes are levied. Property taxes revenue, however, is accrued only if funds are expected to be received within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

*F. Non-Current Governmental Assets/Liabilities*

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net position.

*G. Cash and Cash Equivalents*

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool, to be cash equivalents.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

*H. Investments*

Money market funds are carried at cost, which approximates fair value.

*I. Receivables*

Accounts receivable are reported net of allowance for uncollectible amounts. The estimated allowance is calculated based on historical experience and collectability analysis.

*J. Inventories*

Inventories are valued at the lower of average cost or market. Inventories in governmental funds are recorded as expenditures when consumed. Unconsumed inventories in governmental funds are equally offset by nonspendable fund balance to indicate that portion of fund balance is not in spendable form. Inventories are expensed as the supplies are consumed.

*K. Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. In the fund financial statements, prepaid items are offset by a corresponding nonspendable portion of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

*L. Property Tax Revenue*

The County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County including schools, cities and towns, and special districts. Property taxes, for which the lien date is January 1, are payable in two installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Property taxes receivable are recognized on the July 1st levy date.

Beginning in 1994, the County adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" provided for in Revenue and Taxation Code Sections 4701-4717, which is commonly known as the "Teeter Plan." The Teeter Plan has no impact on tax rates or collection procedures. It merely changes the way the collections of delinquent taxes and penalties are distributed among the taxing agencies. Those agencies participating in the Teeter Plan receive 100% of the secured property taxes billed each year without regard to delinquencies. The General Fund covers the delinquent amount to all agencies and, in return, receives the delinquent taxes, penalties and interest when collected. As a result of the Teeter Plan, secured property tax receivables are recorded in the General Fund only, and there is no allowance for uncollectible amounts. Penalties and interest are deposited into the Tax Loss Reserve Fund. Once the Tax Loss Reserve Fund balance exceeds 25% of the secured delinquent roll, the excess can be credited to the General Fund.

*M. Long-Term Receivables*

Noncurrent portions of receivables for governmental fund types are reported on their balance sheets, despite their measurement focus.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

*N. Capital Assets*

Capital assets (including infrastructure) are recorded at historical cost (or at estimated historical cost if actual historical cost is not available). Donated capital assets are valued at their estimated fair market value on the date donated. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting systems, drainage systems, and flood control systems. The County defines capital assets as assets with an initial, unit cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and the proprietary funds.

The estimated useful lives are as follows:

Infrastructure 20 to 50 years
Structures and improvements 10 to 50 years
Equipment 5 to 25 years

*O. Compensated Absences*

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and compensatory time-off balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The current portion of the liability for compensated absences has been estimated based on historical experience.

*P. Interfund Transactions*

Interfund transactions are reflected as loans, services provided or used, 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” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur 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.

*Q. Deferred Outflows and Inflows of Resources*

Pursuant to GASB Statement Number 63 and GASB Statement Number 65, the County recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

*R. Estimates*

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*S. Net Position and Fund Balances*

The government-wide and proprietary funds utilize a net position presentation. Net position is classified as follows:

– *Net investment in capital assets* is the amount representing all capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of debt that are attributable to the acquisition, construction or improvement of those assets, net of unspent financing proceeds.

– *Restricted net position* is the amount representing the net position which usage is subject to limitation and constraint imposed by either external parties (such as creditors, grantors, other governments) or law through constitutional provisions or enabling legislation.

– *Unrestricted net position* is the amount representing portion of net position that is neither restricted nor invested in capital assets (net of related debt).

As prescribed by Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- Nonspendable fund balances – Consist of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, if any.

- Restricted fund balances – Consist of amounts with constraints placed on their use, imposed either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

- Committed fund balances – Consist of resource balances with constraints imposed by formal action of the Board of Supervisors (the Board) through public meeting minutes that specifically state the revenue source and purpose of the commitment. Commitments may be modified or rescinded as approved by the Board of Supervisors in a public meeting.

- Assigned fund balances – Consist of resource balances intended to be used by the County for specific purposes that do not meet the criteria to be classified as restricted or committed. The County Administrator and Director of Finance can assign fund balance to be used for specific purposes during budget preparation. Budgets recommended by departments require the County’s Board approval.

- Unassigned fund balances – Consist of all resource balances in the General Fund not contained in other classifications. For other governmental funds, the unassigned classification is used only to report a deficit balance resulting from specific purposes for which amounts had been restricted, committed, or assigned.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

*S. Net Position and Fund Balances, Continued*

Based on the County's policy regarding the fund balance classification as noted above, when both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used, committed funds are to be spent first, assigned funds second, and unassigned funds last.

*T. Change in Accounting Principle*

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The County implemented this statement in the current year financial statements. In order to comply with this statement, the County recorded an adjustment for governmental activities to expense deferred issuance costs of $2,137,320. In addition, deferred fiscal charges for bonds payable of $1,026,018 were reclassified from assets to deferred outflows of resources.

*U. New Pronouncements*

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement 67 is effective for financial statements for the County's fiscal year ending June 30, 2014. Application of Statement 68 is effective for the County's fiscal year ending June 30, 2015.

## NOTE 2: CASH AND INVESTMENTS

The County maintains a cash and investment pool for the purpose of increasing interest earnings through pooled investment activities. Cash and investments for most County activities are included in the County investment pool. Interest earned on the investment pool is allocated quarterly to the participating funds using the average daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as “Cash and investments in County pool.” The funds required to be held by outside fiscal agents do not participate in the pool.

The County investment pool includes both voluntary and involuntary participation from external public entities. Certain special districts and entities are required under state statute to maintain their cash surplus in the pool. As of June 30, 2014, the net asset value of involuntary participation in the investment pool was $428,072,894 or 55.39% of the pool.

The County’s investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy. The objectives of the policy are structured in order of priority, safety, liquidity, yield, and public trust. The Board has established a Treasury Oversight Committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The Treasury Oversight Committee and the Board of Supervisors review and approve the Investment Policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and to the investment pool participants on a monthly basis. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

The County Pool has been rated since 1994 by Fitch Ratings and has maintained the highest rating of ‘AAA’ since inception. The pool’s ‘AAA’ rating reflects the high credit quality of portfolio assets, appropriate management oversight, and operational capabilities. In addition, Fitch ratings rate the pool ‘V1’ for volatility. This rating reflects low market risk and a capacity to return stable principal value to participants, as well as to meet anticipated cash flow needs, even in adverse interest rate environments.

Fair values were obtained from the County’s investment custodian statement for all investments having greater than 90 days to maturity.

**NOTE 2: CASH AND INVESTMENTS,** Continued

Cash and investments at June 30, 2014, consist of the following:

| | |
|---|---|
| Cash and Investments in County Pool: | |
| Cash | $ 5,848,289 |
| Investments | 761,148,959 |
| | 766,997,248 |
| Less outstanding warrants and other reconciling items | (23,367,753) |
| Total Cash and Investments in County Pool | 743,629,495 |
| Cash and Investments Outside County Pool: | |
| Other deposits | 7,339,770 |
| Deposits of discretely presented component unit | 544,131 |
| Investments of blended component unit | 3,686,198 |
| Investments of discretely presented component unit | 329,476 |
| Investments with fiscal agent | 16,714,572 |
| Deposits with fiscal agent | 894,571 |
| Fiscal agent deposits of discretely presented component unit | 34,075 |
| Specific investments | 523,176 |
| Total Cash and Investments Outside County Pool | 30,065,969 |
| Total Cash and Investments | $ 773,695,464 |

Total cash and investments at June 30, 2014 were presented on the County's financial statements as follows:

| | |
|---|---|
| Primary Government | $ 344,714,888 |
| Component Units | 907,682 |
| Investment Trust Fund | 387,093,781 |
| Agency Funds | 39,147,710 |
| Private Purpose Trust Fund | 1,831,403 |
| | $ 773,695,464 |

Investments

The following table identifies the investment types that are authorized for the County by the California Government Code or the County's Investment Policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

**NOTE 2: CASH AND INVESTMENTS,** Continued

Investments (continued)

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Local Agency Bonds | 2 Years | None | None |
| U.S. Treasury Obligations | 5 Years | None | None |
| U.S. Agency Obligations | 5 Years | None | None |
| State of California Obligations | 2 Years | None | None |
| Banker's Acceptances | 180 Days | 30% | 30% |
| Commercial Paper | 270 Days | 40% | 10% |
| Negotiable Certificates of Deposit | 2 Years | 30% | None |
| Repurchase Agreements | 1 Year | None | None |
| Medium Term Notes | 2 Years | 30% | None |
| Money Market Mutual Funds/Mutual Funds | N/A | 20% | 10% |
| Time Deposits | 2 Years | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |

At June 30, 2014, the County's investments consist of the following:

| | Interest Rates | Maturities | Par Value | Fair Market Value | Book Carrying Value | WAM (Years) |
|---|---|---|---|---|---|---|
| **Pooled Investments** | | | | | | |
| Federal Agencies | 0.02% - 1.20% | 7/1/14 to 6/24/16 | $ 740,545,000 | $ 740,519,116 | $ 740,373,735 | 0.74 |
| Money Market | Variable | On Demand | 20,004,200 | 20,004,200 | 20,004,200 | - |
| California Local Agency Investment Fund (LAIF) | Variable | On Demand | 236,247 | 236,247 | 236,247 | - |
| Miscellaneous Securities | 3.5% - 3.6% | 12/19/15 to 12/19/17 | 534,777 | 534,777 | 534,777 | 2.45 |
| **Total pooled investments** | | | $ 761,320,224 | $ 761,294,340 | $ 761,148,959 | 0.72 |
| **Investments Outside Investment Pool** | | | | | | |
| *Cash held with fiscal agent* | | | | | | |
| Money market mutual funds | Variable | On Demand | $ 14,046,618 | $ 14,046,604 | $ 14,046,618 | - |
| Investment contracts | 4.77% | 6/1/2047 | 2,667,968 | 2,667,968 | 2,667,968 | 5.25 |
| | | | $ 16,714,586 | $ 16,714,572 | $ 16,714,586 | 5.26 |
| **Specific Investments in Treasury - Non Pooled** | | | | | | |
| Cailfornia Local Agency Investment Fund (LAIF) | | | $ 523,176 | $ 523,176 | $ 523,176 | - |
| | | | $ 523,176 | $ 523,176 | $ 523,176 | |

At June 30, 2014, the difference between the book and fair value of cash and investments was not material (book value was 99.98% of fair value). Therefore, an adjustment to fair value was not recorded.

**NOTE 2: CASH AND INVESTMENTS,** Continued

Interest Rate Risk

Interest rate risk is the risk where changes in interest rates might adversely affect the fair value of an investment. In accordance with County Investment Policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 1.5 years or less. At June 30, 2014, investment pool had a weighted average maturity of 0.72 years, or approximately 259 days.

Credit Risk

Credit risk is the risk where an issuer or other counterparty to an investment might not fulfill its obligations. State law and the County's Investment Policy limit the County's investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA."

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to magnitude of the County's investment in a single issuer of securities. At June 30, 2014, in accordance with State law and the County's Investment Policy, the County did have 10% or more of its net investment in any one money market mutual fund.

At June 30, 2014, the County had the following investments in any one issuer that represent 5% or more of the total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded because they are not a concentration of credit risk.

| | | |
|---|---|---|
| Federal Home Loan Mortgage Corporation | $ 197,312,894 | 25.92% |
| Federal National Mortgage Association | $ 198,569,681 | 26.08% |
| Federal Home Loan Bank | $ 344,636,541 | 45.27% |

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2014.

| | Moody's | S & P | % of Portfolio |
|---|---|---|---|
| **Investments in Investment Pool** | | | |
| Federal Agencies Coupon | Aaa | AAA | 24.30% |
| Federal Agencies Discount: Fed Hom Ln Bk* | Unrated | Unrated | 35.42% |
| Federal Agencies Discount: Fed Home Ln Mtg Corp* | Unrated | Unrated | 13.44% |
| Federal Agencies Discount: Fed Natl Mgt Assn* | Unrated | Unrated | 24.11% |
| Miscellaneous Securities | Unrated | Unrated | 0.07% |
| Money Market/Mutual Funds | Aaa | AAAm | 2.63% |
| California Local Agency Investment Fund (LAIF) | Unrated | Unrated | 0.03% |
| | | | 100.00% |

**NOTE 2: CASH AND INVESTMENTS,** Continued

* Federal Home Loan Bank, Freddie Mac and Fannie Mac issue most of their short term debt as discount notes. Although Moody's and S & P rate their short term debt at 'P-1' and 'A-1+' respectively, their discount notes are not currently rated by individual CUSIP.

** The Federal Agricultural Mortgage Corporation is a government-sponsored enterprise. While not rated, its charter allows for the U.S. Treasury to provide up to $1.5 billion in loans to support the guarantees the company extends on farm loans.

Custodial Credit Risk

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. At year end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2014, the County's pooled investment position in the State of California Local Agency Investment Fund (LAIF) was $236,247 which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was $64.8 billion. Of that amount, 98.14% was invested in non-derivative financial products and 1.86% in structured notes and asset-backed securities. Fair value is based on information provided by the State for the Local Agency Investment Fund.

Restricted cash

Cash held by the Housing Authority in the amount of $3.3 million is restricted as to use by grantors.

## NOTE 2: CASH AND INVESTMENTS, Continued

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net position and changes in net position for the Treasurer's investment pool as of June 30, 2014:

### Statement of Net Position

| | |
|---|---|
| Equity of internal pool participants | $ 356,512,968 |
| Equity of external pool participants | 387,093,781 |
| Total net position | $ 743,606,749 |

### Statement of Changes in Net Position

| | |
|---|---|
| Net position, beginning of year | $ 807,364,368 |
| Net change in investments by pool participants | (63,757,619) |
| Net position, end of year | $ 743,606,749 |

## NOTE 3: NOTES RECEIVABLE

Notes receivable consists of following activities:

| | Restated Balance July 1, 2013 | Notes Issued | Repayments | Balance June 30, 2014 | Short Term Balance June 30, 2014 |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| **General Fund:** | | | | | |
| Central Note for McInnis Park Golf Center for $600,000 with accrued interest of $3,167. Note is due on July 30, 2014. | $ 603,167 | $ - | $ (603,167) | $ - | $ - |
| The County executed a long-term loan agreement with Buckelew Programs to fund the construction of a crisis residential facility funded with Mental Health Services Act (MHSA) funds. Note is due in June 2057. | 739,525 | - | - | 739,525 | - |
| The County executed a long-term loan agreement with Buckelew Programs to fund the construction of a crisis residential facility funded with Mental Health Services Act (MHSA) funds. This is an additional loan amount representing contingency funds to cover any unanticipated costs related to the construction project. This loan does not accrue interest and note is due in October 2032. | 400,000 | - | - | 400,000 | - |
| **Subtotal General Fund** | 1,742,692 | - | (603,167) | 1,742,692 | - |
| **Other Governmental Funds:** | | | | | |
| The County provided long-term financing to numerous local based non-profit organizations for affordable housing construction and rehabilitation. These notes are due at various time frames through 2066. | 20,862,792 | 275,000 | (1,000,000) | 20,137,792 | 275,000 |
| **Total Governmental Activities** | $ 22,605,484 | $ 275,000 | $ (1,603,167) | $ 21,277,317 | $ 275,000 |
| **Business-Type Activities:** | | | | | |
| **Marin Housing Authority** | | | | | |
| Marin Housing Authority manages a portfolio for lending programs to assist qualified homeowners and renters with rehabilitation expenses, down payments on home purchases, and rental security deposits. | $ 4,967,277 | $ 954,751 | $ (297,500) | $ 5,624,528 | $ 2,318 |

## NOTE 4: UNEARNED REVENUE/UNAVAILABLE REVENUE

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net position, governmental funds and enterprise funds defer revenue recognition for resources that have been received at year-end but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as unearned revenues. Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period. Thus, governmental funds defer revenue recognition for revenues not considered available to liquidate liabilities for the current period. As of June 30, 2014, the various components of unearned revenue were as follows:

| | Unearned |
|---|---|
| **Governmental Activities:** | |
| **General Fund:** | |
| Reimbursable grant advances | $ 2,735,401 |
| Fees for services | 120,752 |
| Total General Fund | 2,856,153 |
| **Other Governmental Funds:** | |
| Reimbursable grant advances | 871,524 |
| Fees for services | 62,428 |
| Total Governmental Activities | $ 3,790,105 |
| **Business-Type Activities:** | |
| Fees for service | 345,080 |
| Total Business-Type Activities | $ 345,080 |

## NOTE 5: INTERFUND TRANSACTIONS

Interfund receivables and payables may result from services rendered by one fund to another fund, or from interfund loans. “Due to other funds” balances are generally used to reflect short-term interfund receivables and payables, whereas “Advances to other funds” balances are for long-term. The composition of interfund balances as of June 30, 2014, is as follows:

### Due to other funds

| Receivable Fund | Payable Fund | Amount | Purpose |
|---|---|---|---|
| General Fund | Other Nonmajor Governmental Funds | $ 362,506 | Temporary loans to cover short-term operational deficit |
| | Nonmajor Enterprise Fund | 922,000 | Temporary loans to cover short-term operational deficit |
| | Agency Fund | 39,000 | Temporary loans to cover short-term operational deficit |
| | | $ 1,323,506 | |

### Advances to other funds

| Receivable Fund | Payable Fund | Amount | Purpose |
|---|---|---|---|
| Other Nonmajor Governmental Funds | Other Nonmajor Governmental Funds | $ 45,400 | To cover required reserve for i-Bank loan for 1915 East Shore Wastewater |

**NOTE 5: INTERFUND TRANSACTIONS,** Continued

### Transfers

Transfers are indicative of funding for capital projects, lease or debt service payments, subsidies of various County operations and reallocations of special revenues. The following schedule summarizes the County's transfer activity:

| Transfer from | Transfer to | Amount | Purpose |
|---|---|---|---|
| General Fund | Other Nonmajor Governmental Funds | $ 4,988,204 | Roads and bridges |
| | Other Nonmajor Governmental Funds | 6,800,000 | Relocation of County offices and new facilities maintenance |
| | Other Nonmajor Governmental Funds | 100,000 | Various program cost reimbursements |
| | Other Nonmajor Governmental Funds | 96,266 | Stafford Lake bike project |
| | Other Nonmajor Governmental Funds | 3,877,188 | Debt service |
| | Other Nonmajor Governmental Funds | 6,812,620 | Allocation of pension obligation costs |
| | Other Nonmajor Governmental Funds | 50,000 | Main Commons property management operations |
| | Other Nonmajor Governmental Funds | 1,400,011 | Various program cost reimbursements |
| | Other Nonmajor Governmental Funds | 1,753,786 | Roads maintenance |
| | Other Nonmajor Governmental Funds | 11,500 | Stinson Beach project |
| | Other Nonmajor Governmental Funds | 250,000 | Housing trust |
| | | 26,139,575 | |
| Marin Transit District | Other Nonmajor Governmental Funds | 9,820 | Reimbursement for operaing expenses |
| Nonmajor Enterprise Fund | Other Nonmajor Governmental Funds | 9,843 | Reimbursement for operaing expenses |
| Workers' Compensation | Other Nonmajor Governmental Funds | 5,513 | Allocation of pension obligation costs |
| | General Fund | 3,646,496 | Return of funds floating |
| | | 3,652,009 | |
| Other Nonmajor | Other Nonmajor Governmental Funds | 450,000 | Debt service |
| | Other Nonmajor Governmental Funds | 33,922 | Allocation of pension obligation costs |
| | General Fund | 49,290,614 | Various program funding and cost reimbursements |
| | Other Nonmajor Governmental Funds | 141,699 | Stafford Lake bike project |
| | Other Nonmajor Governmental Funds | 803,423 | Allocation of pension obligation costs |
| | Other Nonmajor Governmental Funds | 540,000 | Debt service |
| | General Fund | 9,439,047 | Various program funding and cost reimbursements |
| | General Fund | 1,760,000 | CAD project funding |
| | General Fund | 371,000 | Measure M - paramedic special services tax money transfer |
| | General Fund | 523,500 | Measure N - Fire suppression special tax money transfer |
| | General Fund | 100,900 | Proposition 36 SACPA transfer |
| | General Fund | 2,035 | Allocation of pension obligation costs |
| | Other Nonmajor Governmental Funds | 6,228,887 | Various program funding and cost reimbursements |
| | General Fund | 750,000 | Roads and road maintenance |
| | | 70,435,027 | |
| | Total | $ 100,246,274 | |

## NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

| | Restated Balance July 1, 2013 | Additions | Deletions | Adjustments/ Transfers | Balance June 30, 2014 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | $ 37,504,730 | $ -- | $ -- | $ -- | $ 37,504,730 |
| Land improvements | 1,205,009,639 | 115,799 | -- | -- | 1,205,125,438 |
| Easements | 8,999,188 | -- | -- | -- | 8,999,188 |
| Construction in progress | 14,486,727 | 39,987,214 | -- | (7,469,025) | 47,004,916 |
| Total capital assets not being depreciated | 1,266,000,284 | 40,103,013 | -- | (7,469,025) | 1,298,634,272 |
| Capital assets, being depreciated | | | | | |
| Structures and improvements | 225,164,056 | -- | -- | 113,108 | 225,277,164 |
| Equipment | 45,843,782 | 2,798,020 | (2,111,749) | -- | 46,530,053 |
| Infrastructure | 305,312,495 | -- | -- | 7,959,084 | 313,271,579 |
| Total capital assets being depreciated | 576,320,333 | 2,798,020 | (2,111,749) | 8,072,192 | 585,078,796 |
| Less accumulated depreciation for | | | | | |
| Structures and improvements | (121,640,561) | (8,275,856) | -- | -- | (129,916,417) |
| Equipment | (36,265,593) | (3,664,401) | 2,060,045 | -- | (37,869,949) |
| Infrastructure | (276,080,878) | (10,225,097) | -- | -- | (286,305,975) |
| Total accumulated depreciation | (433,987,032) | (22,165,354) | 2,060,045 | -- | (454,092,341) |
| Total capital assets being depreciated, net | 142,333,301 | (19,367,334) | (51,704) | 8,072,192 | 130,986,455 |
| Governmental activities capital assets, net | $ 1,408,333,585 | $ 20,735,679 | $ (51,704) | $ 603,167 | $ 1,429,620,727 |
| **Business-Type Activities** | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | $ 6,299,013 | $ -- | $ -- | $ (25,250) | $ 6,273,763 |
| Construction in progress | 6,933,846 | 1,009,563 | -- | (3,761,529) | 4,181,880 |
| Total capital assets not being depreciated | 13,232,859 | 1,009,563 | -- | (3,786,779) | 10,455,643 |
| Capital assets, being depreciated | | | | | |
| Structures and improvements | 43,041,715 | 32,638 | -- | 3,196,964 | 46,271,317 |
| Equipment | 9,370,653 | 3,377,212 | (346,688) | 492,731 | 12,893,908 |
| Other property | 3,426,892 | -- | -- | -- | 3,426,892 |
| Total capital assets being depreciated | 55,839,260 | 3,409,850 | (346,688) | 3,689,695 | 62,592,117 |
| Less accumulated depreciation for | | | | | |
| Structures and improvements | (25,968,067) | (1,228,133) | 11,234 | -- | (27,184,966) |
| Equipment | (3,725,302) | (1,042,661) | 346,688 | -- | (4,421,275) |
| Other property | (1,446,635) | (94,047) | -- | -- | (1,540,682) |
| Total accumulated depreciation | (31,140,004) | (2,364,841) | 357,922 | -- | (33,146,923) |
| Total capital assets being depreciated, net | 24,699,256 | 1,045,009 | 11,234 | 3,689,695 | 29,445,194 |
| Business-type activities capital assets, net | $ 37,932,115 | $ 2,054,572 | $ 11,234 | $ (97,084) | $ 39,900,837 |

**NOTE 6: CAPITAL ASSETS,** Continued

**Depreciation**

Depreciation expense was charged to functions of the primary government as follows:

| | |
|---|---|
| **Governmental activities:** | |
| General government | $ 9,804,324 |
| Public protection | 1,649,353 |
| Public ways and facilities | 9,770,509 |
| Health and sanitation | 366,225 |
| Public assistance | 2,386 |
| Education | 452,243 |
| Recreation and cultural services | 120,314 |
| Total Depreciation Expense - Governmental Activities | $ 22,165,354 |
| **Business-type activities:** | |
| Housing Authority | $ 1,171,626 |
| Marin County Transit District | 937,139 |
| Gnoss Airport | 94,950 |
| Marin County Fair | 73,745 |
| Marin Org | 86,335 |
| Marin Commons Property Management | 1,046 |
| Total Depreciation Expense - Business-Type Activities | $ 2,364,841 |

**NOTE 7: RISK MANAGEMENT**

Workers' Compensation

The County is permissibly self-insured for the first $1,000,000 of workers' compensation claims per occurrence. The County provides for excess workers' compensation insurance above the $1,000,000 retention through a policy with Arch Insurance Company (AM Best Rate A XV) with statutory limits (optimum no limit coverage per claim). The latest independent actuarial analysis (September 2013), concludes that given program assets, as of June 30, 2014 the program is funded below 90% confidence level.

The actuarially determined outstanding claims liability, including incurred but not reported claims at marginally acceptable 70% confidence level, at June 30, 2014 is $23,969,000. The Board has adopted a funding policy that program assets be maintained at or above the 70% confidence level, including recognition of anticipated investment income.

The changes in the balance of claims liabilities are as follows:

**Worker's Compensation**

| | 2014 | 2013 |
|---|---|---|
| Liability Balance, Beginning of Fiscal Year | $ 24,062,000 | $ 19,816,000 |
| Current year claims and changes in estimates | 3,887,504 | 7,865,081 |
| Claim payments | (3,887,504) | (3,619,081) |
| Liability Balance, End of Fiscal Year | $ 24,062,000 | $ 24,062,000 |

**NOTE 7: RISK MANAGEMENT,** Continued

General Liability

The County maintains a self-insured retention (SIR) of $1,000,000 per occurrence for its general liability program. Losses, which exceed the SIR, are covered by an excess insurance policy through Starr Indemnity & Liability Company (AM Best Rated AX) first layer, National Casualty Company (AM Best A+ XV) second layer, and Endurance Risk Solutions Assurance Co. (AM Best Rated A XV) third layer, for a combined limit of $25 Million. The latest independent actuarial analysis (August 2013), concludes that given program assets, as of June 30, 2014 the program is funded above the 90% confidence level.

The actuarially determined outstanding claims liability, including incurred but not reported claims at 80% confidence level, at June 30, 2014 is $5,016,000.

The changes in the balance of claims liabilities are as follows:

| | 2014 | 2013 |
|---|---|---|
| Liability Balance, Beginning of Fiscal Year | $ 5,038,000 | $ 5,593,000 |
| Current year claims and changes in estimates | 2,126,283 | (91,717) |
| Claim payments | (2,148,283) | (463,283) |
| Liability Balance, End of Fiscal Year | $ 5,016,000 | $ 5,038,000 |

Settled claims have not exceeded coverage in any of the past three years. Non incremental claims adjustment expenses are included as part of the claims liability.

## NOTE 8: LONG-TERM OBLIGATIONS

The following table summarizes the changes in the County's long-term obligations for the fiscal year ended June 30, 2014:

| | Restated Balance July 1, 2013 | Additions | Deletions | Adjustments | Balance June 30, 2014 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | |
| Bonds payable | | | | | | |
| Revenue bonds payable | $ 5,860,000 | $ 6,163,324 | $ 5,860,000 | $ - | $ 6,163,324 | $ 420,143 |
| Taxable pension obligation bonds 2003 | 108,400,000 | - | 2,315,000 | - | 106,085,000 | 2,890,000 |
| Tobacco settlement asset-backed bonds 2007 | 48,660,860 | - | 455,000 | 779,647 | 48,985,507 | 326,248 |
| Less: unamortized discount | (497,537) | - | (62,193) | - | (435,344) | (62,193) |
| Subtotal - Bonds Payable | 162,423,323 | 6,163,324 | 8,567,807 | 779,647 | 160,798,487 | 3,574,198 |
| Loans payable | 2,765,610 | 250,000 | 235,611 | | 2,779,999 | 242,747 |
| Certificates of Participation | | | | | | |
| Certificates of participation 2001 | 11,210,000 | - | 375,000 | - | 10,835,000 | 395,000 |
| Certificates of participation 2010 | 57,605,000 | - | 1,795,000 | - | 55,810,000 | 1,830,000 |
| Add: Unamortized premium | 1,410,089 | - | 156,677 | - | 1,253,412 | 156,677 |
| Certificates of participation 2012 | 872,005 | - | 39,020 | - | 832,985 | 42,088 |
| Subtotal - Certificates of Participation | 71,097,094 | - | 2,365,697 | - | 68,731,397 | 2,423,765 |
| Capital leases | 1,103,018 | - | 403,287 | - | 699,731 | 345,911 |
| Compensated absences | 13,890,915 | 11,879,046 | 11,805,331 | - | 13,964,630 | 10,922,854 |
| Claims liability | 29,100,000 | 6,013,787 | 6,035,787 | - | 29,078,000 | 7,218,000 |
| Total Governmental Activities Long-Term Liabilities | $ 280,379,960 | $ 24,306,157 | $ 29,413,520 | $ 779,647 | $ 276,052,244 | $ 24,727,475 |
| **Business-Type Activities** | | | | | | |
| Notes payable - HCD | $ 2,861,319 | $ - | $ - | $ - | $ 2,861,319 | $ 5,462 |
| Mortgages payable - Office building refinance | 1,098,235 | - | 21,754 | - | 1,076,481 | 23,050 |
| Line of credit - Housing | 87,500 | 115,000 | 115,000 | - | 87,500 | 87,500 |
| Housing loans from other governmental agencies | 165,000 | 510,000 | 165,000 | - | 510,000 | 510,000 |
| Capital leases | 2,172,439 | - | 25,804 | - | 2,146,635 | 114,611 |
| Compensated absences | 242,512 | 160,757 | 213,773 | - | 189,496 | 76,334 |
| Total Business-Type Activities Long-Term Liabilities | $ 6,627,005 | $ 785,757 | $ 541,331 | $ - | $ 6,871,431 | $ 816,957 |

The compensated absence liabilities attributable to the governmental activities are generally liquidated by the General Fund and related special revenue funds. Claims liability is liquidated by internal service funds for workers compensation claims and the General Fund for general liability claims. In prior years, typically the General Fund and related special revenue funds have been used to liquidate the OPEB obligation for the governmental activities. Under governmental activities, assets required through capital leases obligations represent main server upgrade and computer infrastructure upgrade. Under business-type activities, the purpose of the capital lease was to fund energy conservation improvements to the Public Housing properties. The cost of the equipment installed equaled to the amount financed. Equipment was placed into service in FY2012-13. Upon completion of this lease on December 19, 2027, the title will pass to the Authority.

## NOTE 8: LONG-TERM OBLIGATIONS, Continued

The following table summarizes the County's long-term obligations as of June 30, 2014:

| | Maturity | Date of Issue | Interest Rates | Annual Principal Installments | Amount Authorized | Outstanding at June 30, 2014 |
|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | |
| **Revenue Bonds:** | | | | | | |
| 2002 Open Space Revenue Bonds | 2028 | 2002 | 3.06% | $270,309-$420,143 | $ 6,163,324 | $ 6,163,324 |
| **Pension Obligation Bonds:** | | | | | | |
| Taxable Pension Obligation Bonds Series A (fund pension liability) | 2027 | 2003 | 4.60%-5.41% | $50,000-$14,940,000 | 112,805,000 | 106,085,000 |
| **Asset-Backed Bonds:** | | | | | | |
| Tobacco Settlement Asset-Backed Bonds Payable (Series 2007A through F) | 2057 | 2007 | 4.63%-6.90% | $485,000-$8,350,986 | 49,870,081 | 48,985,507 |
| Unamortized discount | | | | | (932,888) | (435,344) |
| **Loans Payable:** | | | | | | |
| Energy Conservation Loan | 2019 | 2009 | 3.95% | $12,102-$21,517 | 233,120 | 95,005 |
| Energy Resource Conservation - Solar Panels | 2023 | 2009 | 4.50% | $28,373-$49,287 | 553,345 | 373,663 |
| I - Bank Loan | 2027 | 2009 | 3.29% | $47,681-$49,088 | 681,600 | 537,415 |
| Energy Resource Conservation - Auditorium | 2025 | 2011 | 1.00% | $12,419-$15,732 | 410,781 | 328,582 |
| Energy Resource Conservation - Exhibit Hall | 2023 | 2008 | 4.50% | $6,259-$14,822 | 326,477 | 222,251 |
| California Energy Commission | 2023 | 2012 | 0.00% | Various | 1,054,869 | 870,661 |
| Energy Efficiency Retrofit | 2023 | 2012 | 0.00% | $1,035 | 124,147 | 102,422 |
| Energy Conservation $1.8 m loan | 2016 | 2014 | 1.00% | N/A-principal due at maturiity | 1,800,000 | 250,000 |
| Loans Payable Subtotal | | | | | 5,184,339 | 2,779,999 |
| **Certificates of Participation:** | | | | | | |
| 2001 Issue (finance capital improvement projects) | 2032 | 2001 | 4.70%-7.00% | $215,000-$880,000 | 14,100,000 | 10,835,000 |
| 2010 Issue (finance projects) | 2040 | 2010 | 2.00%-4.375% | $1,460,000-$2,855,000 | 61,540,000 | 55,810,000 |
| Unamortized Premium | | | | | 1,880,120 | 1,253,412 |
| 2012 Issue (Homestead) | 2027 | 2012 | 4.00% | $16,897-$45,853 | 925,000 | 832,985 |
| **Certificates of Participation Subtotal:** | | | | | 78,445,120 | 68,731,397 |
| **Capital Leases:** | | | | | | |
| Computer Infrastructure Upgrade | 2016 | 2010 | 3.55% | $320,066-$353,820 | 1,688,596 | 699,731 |
| **Capital Leases Subtotal** | | | | | 1,688,596 | 699,731 |
| Compensated absences | | | | | 13,964,630 | 13,964,630 |
| Claims liabilities | | | | | 29,078,000 | 29,078,000 |
| **Total Governmental Activities Long-Term Liabilities** | | | | | $ 296,266,202 | $ 276,052,244 |
| **Business-Type Activities** | | | | | | |
| Notes payable - HCD | 2014 | 2006 | 0%-3.00% | Deferred | $ 2,861,319 | $ 2,861,319 |
| Mortgages Payable - Office building refinance | 2022 | 2012 | 5.50% | $81,684 - $917,282 | 1,100,000 | 1,076,481 |
| Line of credit | 2013 | 2012 | 5.25% | Various | 1,450,000 | 87,500 |
| Housing loans from other governmental agencies | 2013 | 2012 | 0% | Various | 510,000 | 510,000 |
| Capital leases | 2027 | 2012 | 4.26% | $203,832 | 2,172,439 | 2,146,635 |
| Compensated absences | | | | | 189,496 | 189,496 |
| **Total Business-Type Activities Long-Term Liabilities** | | | | | $ 8,283,254 | $ 6,871,431 |

**NOTE 8: LONG-TERM OBLIGATIONS,** Continued

(a) *Open Space Revenue Bonds*

In August 2013, the Marin County Open Space Finance Authority issued $6.2 million in revenue bonds, primarily for the purpose of refunding the 2002 bonds. The bonds carry an interest rate 3.06%, and mature in September 2027.

(b) *Pension Obligation Bonds Series 2003*

In May 2003, the County issued pension obligation bonds 2003 series in the amount $112.8 million. The bonds were sold primarily to provide funds to refinance the County's actuarial accrued liability with respect to retirement benefits for County employees and retirees. The bonds are insured by National Public Finance Guarantee Corporation ("NPFGC"). The bonds have a Fitch rating of "AA+." The bonds carry an interest rate range of 4.60% – 5.41% and mature on August 1, 2026.

(c) *Tobacco Settlement Asset-Backed Bond Series 2007A-F*

The County is due a portion of receipts from the Tobacco Industry from the sale of tobacco products. This is a continual stream of funds based on the amount of tobacco sales. The County created a not-for-profit public benefit corporation, the Golden Gate Tobacco Funding Corporation (the Corporation), which in turn joined eight other counties in the State of California to form the California Tobacco Securitization Agency (the Agency). The Corporation acquired from the County all rights to future tobacco settlement payments and in June 2006 issued asset-backed bonds Series A through F. Proceeds from the Tobacco Industry are utilized to pay down these bonds. These bonds carry an interest rate range of 4.63% - 6.90% and mature between June 1, 2021 through June 1, 2057.

(d) *2001 Certificates of Participation*

In November 2001, the County issued certificates of participation in the amount of $14.1 million to finance a building acquisition and various capital projects within the County. The certificates are insured by a policy with Ambac Assurance Corporation, which guarantees the scheduled payments of principal and interest on the certificates when due. The certificates have a Fitch rating of "AA+." The certificates carry interest rates ranging from 4.70% - 7.00% and mature on July 15, 2031.

(e) *2010 Certificates of Participation*

In September 2010, the County issued $61.5 million in certificates of participation to finance capital improvement projects throughout the County, as well as to refund $17.5 million of outstanding 1998 Certificates of Participation Series A and B. The certificates were rated "AA+" and "Aa2" from S&P and Moody's, respectively. The certificates carry interest ranging from 2.00% - 4.38% and mature on August 1, 2040.

(f) *2012 Certificates of Participation*

In August 2011, the County issued $925,000 in certificates of participation to finance improvements to County Service Area No. 14's Homestead Valley Community Center. The certificates carry interest rate of 4% per annum. Bi-annual payments are to be made in March and in September of each year with the last payment due on or before March 1, 2027.

**NOTE 8: LONG-TERM OBLIGATIONS,** Continued

As of June 30, 2014, annual debt service requirements of governmental activities to maturity are as follows:

| | Governmental Activities | | | | | |
|---|---|---|---|---|---|---|
| Year Ending | Bonds Payable | | Certificates of Participation | | Loans Payable | |
| June 30: | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | $ 3,636,391 | $ 7,536,990 | $ 2,267,088 | $ 2,676,748 | $ 242,747 | $ 78,107 |
| 2016 | 4,312,415 | 7,356,955 | 2,325,311 | 2,611,975 | 499,998 | 68,873 |
| 2017 | 5,025,700 | 7,140,563 | 2,403,695 | 2,535,349 | 257,782 | 60,352 |
| 2018 | 5,873,890 | 6,884,207 | 2,487,246 | 2,455,571 | 265,705 | 52,314 |
| 2019 | 6,720,217 | 6,572,352 | 2,565,973 | 2,372,594 | 273,911 | 43,990 |
| 2020-2024 | 50,005,396 | 26,196,302 | 14,222,462 | 10,486,652 | 1,031,706 | 100,781 |
| 2025-2029 | 47,349,492 | 10,677,772 | 11,616,210 | 7,963,070 | 208,150 | 12,346 |
| 2030-2034 | 5,585,000 | 5,797,500 | 12,150,000 | 5,348,481 | - | - |
| 2035-2039 | 6,815,000 | 4,299,000 | 11,865,000 | 2,862,281 | - | - |
| 2040-2044 | 7,800,000 | 2,477,250 | 5,575,000 | 282,125 | - | - |
| 2045-2049 | 5,220,000 | 530,500 | - | - | - | - |
| 2050-2054 | - | - | - | - | - | - |
| 2055-2057 | 12,890,330 | 179,159,670 | - | - | - | - |
| Less Unamortized Premium (Discount) | (435,344) | - | 1,253,412 | - | - | - |
| | $ 160,798,487 | $ 264,629,061 | $ 68,731,397 | $ 39,594,846 | $ 2,779,999 | $ 416,763 |

Bond Discounts, Bond Premiums, and Issuance Costs

In the governmental funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. In the proprietary funds (and for the governmental activities in the government-wide statements) bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the debt using the straight line method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the outstanding balance of bonds payable, whereas issuance costs are recorded as deferred charges.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years.

Capital Lease Obligation

The County leases equipment, primarily for data processing and elections under lease obligations accounted for as capital leases. Included in the governmental funds are the following capital asset amounts under capital leases:

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Equipment | $ 747,291 | $ 2,167,469 |
| Less: Accumulated depreciation | (658,553) | (20,834) |
| Equipment, net, under capital leases | $ 88,738 | $ 2,146,635 |

**NOTE 8: LONG-TERM OBLIGATIONS,** Continued

Capital Lease Obligation (continued)

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2014:

| Year Ending June 30: | Governmental Activities | Business-Type Activities |
|---|---|---|
| 2015 | $ 359,864 | $ 203,836 |
| 2016 | 359,864 | 203,836 |
| 2017 | - | 203,836 |
| 2018 | - | 203,836 |
| 2019 | - | 203,836 |
| 2020-2024 | - | 1,019,180 |
| 2025-2028 | - | 815,347 |
| Total minimum lease payments | 719,728 | 2,853,707 |
| Less: Amount representing interest | (19,997) | (707,072) |
| Total present value of minimum lease payments | $ 699,731 | $ 2,146,635 |

Operating Lease Obligation

The County is committed under various operating leases for office space and computer equipment. The minimum future lease commitments in these leases are as follows:

| Year Ending June 30: | Office Space | Computers & Equipment | Total |
|---|---|---|---|
| 2015 | $ 2,408,455 | $ 1,560,782 | $ 3,969,237 |
| 2016 | 1,246,865 | 1,259,580 | 2,506,445 |
| 2017 | 327,940 | 845,144 | 1,173,084 |
| 2018 | 213,627 | 365,433 | 579,060 |
| 2019 | 178,720 | 86,410 | 265,130 |
| 2020-2021 | 11,260 | - | 11,260 |
| Total | $ 4,386,867 | $ 4,117,349 | $ 8,504,216 |

**NOTE 9: EMPLOYEES' RETIREMENT PLAN**

(a) Plan Description

The County's retirement plan is administered by the Board of Retirement of the Marin County Employees' Retirement Association (MCERA), a multiple-employer retirement system governed by the 1937 Act of the California Government Code. It covers employees eligible for membership and provides retirement, disability, death and survivor benefits based upon specified percentages of final compensation as well as annual cost-of-living adjustments after retirement. Contributions are made by both the County and the employees. Copies of MCERA annual financial reports which include required supplementary information (RSI) for each plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at www.mcera.org.

**NOTE 9: EMPLOYEES' RETIREMENT PLAN**, Continued

(a) Plan Description (continued)

In addition to the County's retirement plan, MCERA administers the plans of the City of San Rafael, the Novato Fire Protection District, and several other special districts. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

(b) Funding Policy

Members are required to contribute a percentage of their wages to the County's plan, based on their age at the time of entry into the Plan. Under the provisions of the County's pension plan, pension benefits vest after five years of credited service. The County's annual contributions are actuarially determined. The following assumptions were used in the most recent actuarial valuation as of June 30, 2013:

- The annual real rate of return on plan assets is assumed to be 7.50%, net of investment and administrative expenses.
- The cost of living, as measured by the Consumer Price Index (CPI), will increase at the rate of 3.25% per year.
- Rate of salary increase is assumed to be 3.25% for the general plan and safety plan, plus service-based increases due to longevity and promotion.

The actuarial assumptions used in determining contribution requirements are the same as those used to compute the pension benefit obligation.

(c) Annual Pension Cost

For the fiscal year ended June 30, 2013, the County's annual pension cost was $82,141,000.

Funding of the Plan is determined under the "entry age normal" method, which provides for funding of annual normal costs and the unfunded prior service costs (unfunded actuarial accrued liability) over a closed period of 17 years as a level percentage of payroll. This includes amortization of the unfunded present value of credited projected benefits.

The employer contribution rate, determined based on actual demographic and asset information, has decreased from 27.82% to 25.78% by 2% of active member payroll. The benefit provisions of the plan remained unchanged from the prior valuation.

Current assumptions are based on actuarial valuation as of June 30, 2013. The study was done by Cheiron.

Three-Year Trend Information (in thousands)

| Year Ending June 30: | Annual Required Contribution (ARC) | Actual Contributions | Percentage of ARC Contributed |
|---|---|---|---|
| 2013 | $ 49,977 | $ 82,141 | 164.4% |
| 2012 | 46,041 | 47,541 | 103.3% |
| 2011 | 45,277 | 46,777 | 103.3% |

**NOTE 9: EMPLOYEES' RETIREMENT PLAN**, Continued

(c) Annual Pension Cost (continued)

Three-Year Trend Information (in thousands) (continued)

In addition to the annual required contribution, the County recognized an additional expense of $4,700,210, the current year amortization relating to the County's net pension asset. The change in the pension asset is as follows:

| | |
|---|---|
| Net pension asset, beginning of year | $ 65,802,900 |
| Net pension asset, end of year | $ 61,102,690 |

Funded Status of County Defined Benefits Pension Plan (in thousands)

| Valuation Date (Most Recent Data Available) June 30: | Actuarial Value of Plan Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2013 | $ 1,217,739 | $1,560,672 | $342,933 | 78.0% | $178,152 | 192.49% |
| 2012 | 1,101,390 | 1,491,924 | 390,534 | 73.8% | 170,483 | 229.08% |
| 2011 | 1,065,255 | 1,436,008 | 370,753 | 74.2% | 175,397 | 211.38% |

**NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

*A. Plan Description*

The County of Marin sponsors, and MCERA provides administrative services for, a single-employer defined-benefit postemployment healthcare plan (the Plan) to provide medical and dental insurance benefits to eligible retired employees. Benefit provisions are established and may be amended by the County.

Under the current practice, the County allows eligible service and disability retirees and their dependents to continue health coverage in the County's medical and dental plans. The County pays a portion of the premiums based on date of hire.

- For retirees hired before October 1, 1987 (Plan 1), the County pays 100% of the eligible retiree's single health plan premiums.

- For retirees hired between October 1, 1987 and September 30, 1993 (Plan 2), the County pays the retiree's single health plan premiums up to $2,275 per year.

- For retirees hired between October 1, 1993 and December 31, 2007 (Plan 3), the County pays a percentage of the retiree's single premium up to a dollar cap based on years of service at retirement, where the dollar cap is reviewed each year. Through January 1, 2007 the cap was increased to cover single Anthem Blue Cross Prudent Buyer Classic and Delta Dental premiums. Due to the amount of unfunded liability the County faces, the Board of Supervisors has implemented a policy to limit annual increases in the maximum allocation for Plan 3 to no more than 3%, subject to annual approval regarding whether any increase will be granted and, if so, the amount of the increase. Cap increases were 3% effective January 1, 2008 and January 1, 2009. No cap increases have been adopted since that time. Currently, the Plan 3 cap is $8,853 per year.

**NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**, Continued

*A. Plan Description, Continued*

- For retirees hired on or after January 1, 2008 (Plan 4), the County pays $150 per year of service up to $3,000 per year for the retiree’s single health plan premiums only.

Retirees eligible for Plans 1 and 2 may elect Plan 3 instead; and retirees eligible for Plans 1, 2, or 3 may elect Plan 4 instead.

Certain County medical plans have premium structures that result in subsidies of retiree claim costs from premiums paid for employees by the County.

The Housing Authority, which is a major fund, provides post-employment medical health care benefit to its retired employees and, in some instances, their spouses. Benefits include coverage in the CALPERS health plan. The Authority pays a portion of the premiums for the medial insurance for retirees. The majority of costs for this medical insurance costs is the responsibility of each retiree.

The Authority’s retirees are eligible for membership in the plan upon retirement. Employees are eligible for retirement at age 50 and with 5 years of service or upon disability. As of December 31, 2012, the Authority had eight retirees who were eligible for the program and receiving benefits. The Authority had another forty-one active employees, who are eligible for the program, but are not receiving benefits due to the fact that they are not yet retired from the Authority.

The Marin Transit District provides a Simplified Employee Pension Plan (SEP Plan) and Section 457 deferred compensation plan to its directly hired employees. Marin Transit District contributed 10% of each employee’s salary to the SEP plan during the year ended June 30, 2014, which amounted to $10,772, but made no contributions to the Section 457 plan. In August 2013, Marin Transit District’s Board of Directors approved a Section 401(a) deferred contribution plan, to which Marin Transit District may contribute 10% - 15% of each employee’s salary. The Section 401(a) plan will replace the SEP plan.

*B. Funding Policy*

The contribution policy is determined by the County. The County’s Plan has been funded on a pay-as-you-go basis. In February 2013, the County entered into an irrevocable trust agreement with California Employers’ Retiree Benefit Trust Program (CERBT) to pre-fund the County’s OPEB through CalPERS, in addition to the County’s regular pay-as-you go contributions. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, funds contributed to the trust are irrevocable and are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan. The County began pre-funding the full annual required contribution beginning in fiscal year 2012-13. For fiscal year 2013-14, the County contributed $12,584,000 to the CERBT, plus $10,990,309 through the regular pay-as-you go, for a total of $23,574,309 in premium payments for retirees, plus implied subsidy payments of $1,681,000 through active employee premiums.

The Housing Authority has adopted an entry age normal cost method to determine the present value of benefits and actuarial accrued liability. The plan currently has no assets. The amortization method is a level percent of payroll, which is identical to CALPERS. The amortization period is thirty years. The Authority has adopted a pay-as-you-go policy and is not currently funding this liability above the monthly requirement. The Authority makes actual monthly payments to its healthcare provider for its portion of the retirees’ premiums. The payments for 2013 totaled $6,544. The Authority accrued the remaining actuarial determined liability of $76,006, to recognize expense in the current fiscal year.

The Marin Transit District does not currently provide other postemployment benefits (OPEB) to directly hired employees.

**NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**, Continued

*C. Annual Other Postemployment Benefit Cost and Net Obligation*

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. Both the ARC and the funded status information have been based on the assumption that the Plan 3 cap would increase over time to cover increases in Blue Cross Prudent Buyer Classic and Delta Dental premiums.

The Housing Authority's annual OPEB costs (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Interest on net OPEB obligation is based on the actuarial interest rate of 4.25% and is computed on the unfunded amount.

The following table presents the components of the County's Annual OPEB Cost for the year, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation.

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Annual required contribution | $ 24,412,000 | $ 94,928 |
| Interest on net OPEB obligation | 5,347,000 | 15,555 |
| Adjustment to annual required contribution | (4,706,000) | (27,933) |
| Annual OPEB cost (expense) | 25,053,000 | 82,550 |
| Contributions made | (25,255,309) | (6,544) |
| Net OPEB obligation - beginning of year | 97,930,442 | 366,000 |
| (Decrease)/Increase in net OPEB obligation | (202,309) | 76,006 |
| Net OPEB obligation - end of year | $ 97,728,133 | $ 442,006 |

The County's annual OPEB cost, the percentage of Annual OPEB Cost contributed to the Plan, and the net postemployment healthcare plan obligation were as follows:

| Fiscal Year Ended June 30 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | End of Year Net OPEB Obligation |
|---|---|---|---|
| 2014 | $ 25,053,000 | 100.81% | $ 97,728,133 |
| 2013 | 25,218,000 | 154.15% | 97,930,442 |
| 2012 | 27,439,000 | 43.57% | 111,585,180 |

The Housing Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of December 31, 2013 were as follows:

**NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**, Continued

*C. Annual Other Postemployment Benefit Cost and Net Obligation, Continued*

| Fiscal Year Ended December 31 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | End of Year Net OPEB Obligation |
|---|---|---|---|
| 2013 | 82,550 | 7.93% | 442,006 |
| 2012 | 114,490 | 4.80% | 360,253 |
| 2011 | 95,887 | 5.10% | 251,253 |

*D. Funded Status*

The funded status of the plan based on the most recent actuarial valuation as of July 1, 2013, is as follows:

| | |
|---|---|
| Actuarial Accrued Liability (AAL) | $ 361,711,000 |
| Actuarial Value of Plan Assets | 26,366,000 |
| Unfunded Actuarial Accrued Liability (UAAL) | 335,345,000 |
| Funded Ratio (Actuarial value of plan assets/AAL) | 7.29% |
| Covered Payroll (active plan members) | 151,988,000 |
| UAAL as a Percentage of Covered Payroll | 220.64% |

For the Housing Authority, as of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,041,780, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the current fiscal year was $2.6 million; therefore, unfunded actuarial accrued liability as a percentage of covered payroll is 39.7%.

*E. Actuarial Methods and Assumptions*

Actuarial calculations reflect a long-term perspective. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to constant revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point.

Specific actuarial assumptions selected by the Authority are: a) a discount rate of 4.25% per year, b) salary increases of 3.25% per year, c) funding method is entry age normal, d) the unfunded actuarial liability is amortized as a level percentage of salaries over an open 15-year period, e) mortality and retirement rates are taken from the 2010 CalPERS OPEB assumptions model, f) medical premiums are assumed to increase 4.5% per year after 2014, and g) 70% of future eligible retired employees are assumed to participate in this program.

The Unfunded Actuarial Accrued Liability (UAAL) was amortized over an open period of 29 years as a level percentage of projected payroll.

**NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**, Continued

*E. Actuarial Methods and Assumptions, Continued*

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 7/1/13 | $ 26,366 | $ 361,711 | $ 335,345 | 7.29% | $ 151,988 | 220.64% |
| 7/1/11 | - | 382,720 | 382,720 | 0.00% | 150,405 | 254.46% |
| 7/1/09 | - | 359,934 | 359,934 | 0.00% | 161,948 | 222.25% |

For the Housing Authority:

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 01/31/13 | $ - | $ 1,042 | $ 1,042 | 0.00% | $ 2,600 | 39.70% |
| 12/31/11 | - | 489 | 489 | 0.00% | 4,000 | 12.23% |
| 12/31/10 | - | 489 | 489 | 0.00% | 3,800 | 12.87% |

**NOTE 11: COMMITMENTS AND CONTINGENT LIABILITIES**

Construction Commitments

At June 30, 2014, the County had ongoing construction commitments that totaled approximately $15.4 million.

## NOTE 12: FUND BALANCES/NET POSITION

Restatement of Beginning Fund Balances/Net Position

The following table is a summary of the restatement of beginning fund balances/net position:

| Governmental Activities | Statement of Activities: Governmental Activities | Proprietary Funds: Internal Service Funds Fund | Governmental Funds: General Fund | Governmental Funds: Other Governmental Funds |
|---|---|---|---|---|
| Net position/fund balance, beginning of year, as originally reported | $ 1,457,133,562 | $ -- | $ 125,331,591 | $ 218,393,799 |
| General Fund - To adjust for purchase of McInnis asset in prior year | (603,167) | -- | (603,167) | -- |
| General Fund - To adjust for revenue recognition for FY12/13 | 548,289 | -- | 548,289 | -- |
| Debt Service Fund - To adjust for prior years transfers in | 28,452 | -- | -- | 28,452 |
| Courthouse Construction Fund - To adjust for revenue recognition for FY12/13 | 24,919 | -- | -- | 24,919 |
| Restricted Housing Fund - To adjust for matching contribution to Marin Community Foundation | (1,000,000) | -- | -- | (1,000,000) |
| Special Revenue Funds - To adjust for revenue recognition for FY12/13 | 179,749 | -- | -- | 179,749 |
| General and Special Revenue Funds - To reclassify Sheriff's Fees from General Fund to Special Revenue Funds | -- | -- | (800) | 800 |
| Special Revenue Funds - To reclassify funds from Agency into Special Revenue | 695,078 | -- | -- | 695,078 |
| Internal Service Fund - To adjust for insurance claims expense for FY12/13 | (59,381) | (59,381) | -- | -- |
| Government-Wide Adjustment - To adjust for interest on notes receivables | 693,618 | -- | -- | -- |
| Government-Wide Adjustment - To record donation in prior years of easement on Luiz Ranch | 6,000,000 | -- | -- | -- |
| Government-Wide Adjustment - To w rite off debt issuance costs per GASB 65* | (2,137,320) | -- | -- | -- |
| Special Revenue Fund - HUD - To adjust for additional long-term notes receivable that had previously not been included in the County's financial statements | 14,491,792 | -- | -- | 14,491,792 |
| Government-Wide Adjustment - To adjust for interest on notes receivable | 3,280,627 | -- | -- | -- |
| Subtotal | 22,142,656 | (59,381) | (55,678) | 14,420,790 |
| Net position/fund balance, beginning of year, restated | $ 1,479,276,218 | $ (59,381) | $ 125,275,913 | $ 232,814,589 |

| Business-Type Activities | Business-Type Activities | Nonmajor Enterprise Funds |
|---|---|---|
| Net position, beginning of year, as originally reported | $ 52,029,938 | $ 10,447,246 |
| Nonmajor Enterprise Funds - To adjust for improper revenue recognition | (122,578) | (122,578) |
| Subtotal | (122,578) | (122,578) |
| Net position, beginning of year, restated | $ 51,907,360 | $ 10,324,668 |

* Cumulative effect of a change in accounting principle.

**NOTE 12: FUND BALANCES/NET POSITION**, Continued

Net Position, Net Investment in Capital Assets

Net Position, net investment in capital assets as of June 30, 2014 consisted of the following:

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Capital assets, net of accumulated depreciation | $ 1,429,620,727 | $ 39,900,837 |
| Outstanding principal of capital-related debt | (126,924,614) | (7,186,943) |
| Net position net investment in capital assets | $ 1,302,696,113 | $ 32,713,894 |

Fund Balance Classifications

In accordance with the provisions of GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**NOTE 12: FUND BALANCES/NET POSITION**, Continued

Fund Balance Classifications (continued)

Fund Balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1 for a description of these categories). A detailed schedule of fund balances as of June 30, 2014 is as follows:

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| Fund balances: | | | |
| **Non-spendable** | | | |
| Notes receivable - long term | $ 1,139,525 | $ - | $ 1,139,525 |
| Prepaid items | 2,287,366 | - | 2,287,366 |
| Inventory of supplies | 711,106 | 106,351 | 817,457 |
| Total Nonspendable | 4,137,997 | 106,351 | 4,244,348 |
| **Restricted for:** | | | |
| General government | 17,650,224 | 2,319,249 | 19,969,473 |
| Public protection | - | 19,950,056 | 19,950,056 |
| Public ways and facilities | - | 6,614,397 | 6,614,397 |
| Health and sanitation | - | 18,123,388 | 18,123,388 |
| Education | - | 4,438,292 | 4,438,292 |
| Recreation and cultural services | - | 236,094 | 236,094 |
| Courthouse construction | - | 773,550 | 773,550 |
| Fish and game preservation | - | 178,402 | 178,402 |
| Child support services | - | 260,075 | 260,075 |
| Building inspection | - | 1,600,352 | 1,600,352 |
| Environmental health | - | 961,666 | 961,666 |
| Sewage district | - | 574,286 | 574,286 |
| Roads | - | 3,602,307 | 3,602,307 |
| Miscellaneous CSA projects | - | 16,426,416 | 16,426,416 |
| Permanent road district | - | 366,422 | 366,422 |
| Tobacco settlement | - | 3,612,430 | 3,612,430 |
| In-home support services | - | 54,721 | 54,721 |
| Open space district | - | 15,831,493 | 15,831,493 |
| Lighting district | - | 1,737,743 | 1,737,743 |
| Flood control zone projects | - | 23,091,739 | 23,091,739 |
| Affordable housing | - | 12,692,148 | 12,692,148 |
| Debt service reserve | - | 3,872,654 | 3,872,654 |
| Hi tech ID theft | - | 18,070 | 18,070 |
| Stormwater management | - | 50 | 50 |
| Employee retirement obligation | - | 5,253,830 | 5,253,830 |
| Miscellaneous capital projects | - | 1,287,734 | 1,287,734 |
| HUD | - | 14,491,792 | 14,491,792 |
| Other capital projects | - | 4,657,407 | 4,657,407 |
| Total Restricted | 17,650,224 | 163,026,763 | 180,676,987 |
| **Committed to:** | | | |
| Retiree liability | 4,427,001 | - | 4,427,001 |
| Self insurance | 12,320,673 | - | 12,320,673 |
| Economic uncertainties | 22,785,694 | - | 22,785,694 |
| New financial system | 14,057,369 | - | 14,057,369 |
| Miscellaneous capital projects | 18,989,781 | - | 18,989,781 |
| State budget | 4,803,954 | - | 4,803,954 |
| Road repairs | - | 25,092 | 25,092 |
| Open space district | - | 500,000 | 500,000 |
| | 77,384,472 | 525,092 | 77,909,564 |

**NOTE 12: FUND BALANCES/NET POSITION**, Continued

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| Fund balances: | | | |
| **Assigned to:** | | | |
| General government | 6,655,175 | 182,140 | 6,837,315 |
| Eliminate subsequent year budget deficit | 28,046,088 | - | 28,046,088 |
| Vehicle and equipment replacement | 2,069,485 | - | 2,069,485 |
| Public protection | - | 809,263 | 809,263 |
| Public ways and facilities | - | 19,089 | 19,089 |
| Health and sanitation | - | 11,257,148 | 11,257,148 |
| Recreation and cultural services | - | 265 | 265 |
| Road repairs | - | 1,527,239 | 1,527,239 |
| Library | - | 3,948,183 | 3,948,183 |
| Fish and game preservation | - | 193 | 193 |
| Child support services | - | 1,397 | 1,397 |
| Debt service | - | 207,905 | 207,905 |
| Building inspection | - | 37,906 | 37,906 |
| Environmental health | - | 119,861 | 119,861 |
| Miscellaneous CSA projects | - | 27,490 | 27,490 |
| Flood control zone projects | - | 32,611 | 32,611 |
| Lighting district | - | 3,221 | 3,221 |
| Sewage district | - | 729 | 729 |
| Affordable housing | - | 7,755 | 7,755 |
| In-home support services | - | 446 | 446 |
| Hi tech ID theft | - | 368 | 368 |
| Courthouse construction | - | 614 | 614 |
| Miscellaneous capital projects | - | 21,955,121 | 21,955,121 |
| Employee retirement obligation | - | 1,342 | 1,342 |
| Tobacco settlement | - | 105,296 | 105,296 |
| Open space district | - | 2,751,886 | 2,751,886 |
| | 36,770,748 | 42,997,468 | 79,768,216 |
| **Unassigned:** | 3,896,463 | - | 3,896,463 |
| Total fund balance | $ 139,839,904 | $ 206,655,674 | $ 346,495,578 |

Deficit Net Position

Successor Agency to the Marin County Redevelopment Agency reported deficit net position of ($8,424,711). This fund accounts for the activities of the Successor Agency to the Marin County Redevelopment Agency. The assets and liabilities of the Former RDA were transferred to the Successor Agency on February 1, 2012 as a result of the dissolution of the Former RDA. The Successor Agency acts in a fiduciary capacity to wind down the affairs of the Former RDA which includes disposing of the assets and liabilities and is reported as a private purpose trust fund.

**NOTE 13: SUBSEQUENT EVENT**

The Board of Supervisors approved a project budget to implement a new Enterprise Resource Planning (“ERP”) software system to replace the existing SAP system and authorized the Board President to execute a contract with Tyler Technologies for system and implementation services. Tyler Technologies of Texas is the largest company in the nation focused solely on public sector software and services. The Board authorized appropriations of $14.1 million from available reserves for the project in order to acquire, install and initially staff a new system. Included in the $14.1 million expense is $8.2 million to Tyler, $4.9 million for County staffing for 36 months, and $1 million for contingency.

THIS PAGE INTENTIONALLY LEFT BLANK

# REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY OF MARIN**

Schedule of Funding Progress
For the Year Ended June 30, 2014

## County Employee's Retirement Plan (Defined Benefits Pension Plan)

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability (UAAL) as a percentage of the annual covered payroll as of June 30:

Funded Status of County Defined Benefits Pension Plan (in thousands)

| Valuation Date (Most Recent Data Available June 30: | Actuarial Value of Plan Assets | Actual Accrued Liability | Unfunded Accrued Actuarial Liability (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2013 | $ 1,217,739 | $ 1,560,672 | $ 342,933 | 78.00% | $ 178,152 | 192.49% |
| 2012 | 1,101,390 | 1,491,924 | 390,534 | 73.80% | 170,483 | 229.08% |
| 2011 | 1,065,255 | 1,436,008 | 370,753 | 74.20% | 175,397 | 211.38% |

Copies of MCERA annual financial reports may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903.

## Other Post Employment Benefits Plan

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial liability (UAAL) as a percentage of the annual covered payroll as of the most recent actuarial report:

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 7/1/13 | $ 26,366 | $ 361,711 | 335,345 | 7.29% | $ 151,958 | 220.64% |
| 7/1/11 | - | 382,720 | 382,720 | 0.00% | 150,405 | 254.46% |
| 7/1/09 | - | 359,934 | 359,934 | 0.00% | 161,948 | 222.25% |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Taxes | $ 162,395,429 | $ 182,363,831 | $ 184,688,938 | $ 2,325,107 |
| Licenses and permits | 5,942,841 | 6,142,021 | 6,633,595 | 491,574 |
| Intergovernmental revenues | 72,078,508 | 109,137,828 | 90,234,890 | (18,902,938) |
| Charges for services | 41,915,460 | 48,048,550 | 46,270,795 | (1,777,755) |
| Fines and forfeits | 9,280,453 | 9,493,474 | 9,087,740 | (405,734) |
| From use of money and property | 2,690,321 | 2,776,321 | 2,946,146 | 169,825 |
| Miscellaneous | 942,907 | 989,114 | 660,252 | (328,862) |
| Total revenues | 295,245,919 | 358,951,139 | 340,522,356 | (18,428,783) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Assessor-Recorder | 9,424,210 | 9,575,205 | 8,797,707 | 777,498 |
| Board of Supervisors | 3,305,423 | 3,396,930 | 3,136,120 | 260,810 |
| Community Development Agency | 885,430 | 847,405 | 607,510 | 239,895 |
| County Administrator | 6,535,558 | 7,101,686 | 6,631,630 | 470,056 |
| County Counsel | 5,037,376 | 5,040,503 | 4,620,891 | 419,612 |
| Department of Finance | 8,690,052 | 7,706,725 | 7,324,642 | 382,083 |
| Elections | 3,376,039 | 3,347,169 | 2,954,746 | 392,423 |
| Human Resources | 5,748,907 | 6,045,578 | 5,791,338 | 254,240 |
| Information Services & Technology | 17,144,766 | 18,571,616 | 17,820,169 | 751,447 |
| Non - Departmental | (792,933) | (5,671,137) | (6,556,751) | 885,614 |
| Public Works | 12,948,766 | 11,500,639 | 10,287,051 | 1,213,588 |
| Total general government | 72,303,594 | 67,462,319 | 61,415,053 | 6,047,266 |
| Public protection | | | | |
| Agricultural Weights & Measures | 2,550,432 | 2,648,670 | 2,501,377 | 147,293 |
| Child Support Services | 1,182,529 | 1,180,888 | 1,053,037 | 127,851 |
| Community Development Agency | 1,916,464 | 1,986,577 | 1,175,216 | 811,361 |
| County Administrator | 3,230,161 | 3,230,161 | 3,137,106 | 93,055 |
| Department of Finance | 129 | -- | -- | -- |
| District Attorney | 13,397,136 | 14,477,153 | 13,535,903 | 941,250 |
| Fire Department | 20,473,889 | 23,546,358 | 23,034,044 | 512,314 |
| Health and Human Services | 2,305,724 | 2,283,658 | 2,274,759 | 8,899 |
| Information Service & Technology | 729,658 | 664,565 | 652,705 | 11,860 |
| Non - Departmental | 2,674,865 | 2,605,232 | 2,258,374 | 346,858 |
| Probation | 15,908,263 | 16,153,458 | 15,525,008 | 628,450 |
| Public Defender | 7,120,420 | 7,346,857 | 7,046,926 | 299,931 |
| Public Works | 7,267,239 | 16,189,657 | 7,611,358 | 8,578,299 |
| Sheriff | 57,265,492 | 60,354,342 | 59,022,847 | 1,331,495 |
| Total public protection | 136,022,401 | 152,667,576 | 138,828,660 | 13,838,916 |

continued

## COUNTY OF MARIN

Budgetary Comparison Schedule (continued)
General Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **Expenditures (continued):** | | | | |
| Public ways and facilities | | | | |
| Non - Departmental | $ 25,000 | $ 25,000 | $ 25,000 | $ - |
| Public Works | 2,103,404 | 9,664,157 | 2,884,232 | 6,779,925 |
| Total public ways and facilities | 2,128,404 | 9,689,157 | 2,909,232 | 6,779,925 |
| Health and sanitation | | | | |
| Health and Human Services | 95,664,197 | 96,701,964 | 82,569,452 | 14,132,512 |
| Non - Departmental | 200,000 | 200,000 | 146,000 | 54,000 |
| Public Works | 2,428,483 | 2,497,739 | 2,028,600 | 469,139 |
| Total health and sanitation | 98,292,680 | 99,399,703 | 84,744,052 | 14,655,651 |
| Public assistance | | | | |
| Community Development Agency | 5,783,568 | 5,063,628 | 4,632,590 | 431,038 |
| Health and Human Services | 57,284,592 | 61,930,396 | 60,077,320 | 1,853,076 |
| Non - Departmental | 859,001 | 1,189,001 | 660,896 | 528,105 |
| Total public assistance | 63,927,161 | 68,183,025 | 65,370,806 | 2,812,219 |
| Education | | | | |
| Farm Advisor/UC Coop Ext | 256,518 | 290,509 | 285,545 | 4,964 |
| Non - Departmental | 250,000 | 354,168 | 348,100 | 6,068 |
| Total education | 506,518 | 644,677 | 633,645 | 11,032 |
| Recreation and cultural services | | | | |
| Culture and Visitor Services | 3,047,145 | 3,357,032 | 3,303,492 | 53,540 |
| Non - Departmental | 55,000 | 55,000 | 40,000 | 15,000 |
| Parks | 5,622,548 | 5,835,336 | 5,724,620 | 110,716 |
| Public Works | -- | 295,830 | 46,788 | 249,042 |
| Total recreation and cultural services | 8,724,693 | 9,543,198 | 9,114,900 | 428,298 |
| Capital Outlay | 2,987,952 | 2,887,351 | 2,466,891 | 420,460 |
| Debt Service: | | | | |
| Principal | 147,641 | 160,924 | 166,110 | (5,186) |
| Interest | 69,432 | 58,355 | 53,032 | 5,323 |
| Total debt service | 217,073 | 219,279 | 219,142 | 137 |
| Total expenditures | 385,110,476 | 410,696,285 | 365,702,381 | 44,993,904 |
| Deficiency of revenues under expenditures | (89,864,557) | (51,745,146) | (25,180,025) | (26,565,121) |

continued

# COUNTY OF MARIN

Budgetary Comparison Schedule (continued)
General Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| Other Financing Sources (Uses): | | | | |
| Transfers in | $ 63,278,577 | $ 77,700,068 | $ 65,883,592 | $ (11,816,476) |
| Transfers out | (12,704,476) | (21,178,752) | (26,139,576) | (4,960,824) |
| Total other financing sources, net | 50,574,101 | 56,521,316 | 39,744,016 | (16,777,300) |
| Net change in fund balances | (39,290,456) | 4,776,170 | 14,563,991 | 9,787,821 |
| Fund balances, beginning of year, restated | 125,276,713 | 125,276,713 | 125,275,913 | (800) |
| Fund balances, end of year | $ 85,986,257 | $ 130,052,883 | $ 139,839,904 | $ 9,787,021 |

## BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 through 29144 of the California Government Code, commonly known as the County Budget Act, the County prepares and adopts a budget for each fiscal year on or before August 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year for Governmental Funds. The legal level of control for appropriations is at the departmental fund level. Appropriations at this level may only be changed with the approval of the Board. The County Administrator may make adjustments at their discretion below that level. Budgeted amounts in the budgeted financial schedules are reported as originally adopted and as amended during the fiscal year by the Board of Supervisors and the County Administrator.

The County uses an encumbrances system as an extension of normal budgetary accounting for the general, special revenue, and other debt service funds and to assist in controlling expenditures of the capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as either restricted, committed, or assigned fund balance since they do not constitute expenditures or liabilities. Encumbrances are not combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The General Fund's encumbrances at June 30, 2014 totaled to $29 million, of which $9.6 million is related to spending for the Central Marin Ferry Connection project. The remaining $19.4 million encumbrance balance pertains to various County programs and projects.

The budget to actual comparison schedules are shown using the financial statement approach and GAAP basis.

THIS PAGE INTENTIONALLY LEFT BLANK

# SUPPLEMENTARY INFORMATION
## Combining and Individual
## Fund Statements and Schedules

# NONMAJOR GOVERNMENTAL FUNDS

This page intentionally left blank

## COUNTY OF MARIN

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments in County pool | $ 142,067,622 | $ 5,941,430 | $ 19,756,840 | $ 167,765,892 |
| Cash with fiscal agent | -- | 7,720,744 | 7,849,153 | 15,569,897 |
| Accounts receivable | 3,153,345 | -- | 20 | 3,153,365 |
| Notes receivable - short term | 275,000 | -- | -- | 275,000 |
| Notes receivable - long term | 19,862,792 | -- | -- | 19,862,792 |
| Due from other governmental agencies | 3,743,804 | -- | 4,362,656 | 8,106,460 |
| Advances to other funds | 45,400 | -- | -- | 45,400 |
| Inventory of supplies | 106,351 | -- | -- | 106,351 |
| Total assets | $ 169,254,314 | $ 13,662,174 | $ 31,968,669 | $ 214,885,157 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 2,613,571 | $ 6,855 | $ 3,197,564 | $ 5,817,990 |
| Accrued salaries and benefits | 882,041 | -- | 36,113 | 918,154 |
| Due to other funds | 362,506 | -- | -- | 362,506 |
| Advances payable | -- | 45,400 | -- | 45,400 |
| Unearned revenue | 875,952 | -- | 58,000 | 933,952 |
| Other liabilities | 148,915 | -- | 2,566 | 151,481 |
| Total liabilities | 4,882,985 | 52,255 | 3,294,243 | 8,229,483 |
| **FUND BALANCES** | | | | |
| Nonspendable | 106,351 | -- | -- | 106,351 |
| Restricted | 143,013,079 | 13,294,993 | 6,718,691 | 163,026,763 |
| Committed | 525,092 | -- | -- | 525,092 |
| Assigned | 20,726,807 | 314,926 | 21,955,735 | 42,997,468 |
| Total fund balances | 164,371,329 | 13,609,919 | 28,674,426 | 206,655,674 |
| Total liabilities and fund balances | $ 169,254,314 | $ 13,662,174 | $ 31,968,669 | $ 214,885,157 |

# COUNTY OF MARIN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 39,135,282 | $ -- | $ -- | $ 39,135,282 |
| Licenses and permits | 8,986,166 | -- | -- | 8,986,166 |
| Intergovernmental revenues | 91,644,393 | -- | 5,432,506 | 97,076,899 |
| Charges for services | 13,130,392 | 732,010 | 337,950 | 14,200,352 |
| Fines and forfeits | 942,939 | -- | 406,335 | 1,349,274 |
| From use of money and property | 221,951 | 133,751 | 12,858 | 368,560 |
| Miscellaneous | 386,184 | 2,223,124 | 269,917 | 2,879,225 |
| Total revenues | 154,447,307 | 3,088,885 | 6,459,566 | 163,995,758 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 2,786,201 | 27,350 | 7,484,259 | 10,297,810 |
| Public protection | 22,740,000 | 7,642 | 1,272,533 | 24,020,175 |
| Public ways and facilities | 9,185,066 | -- | 22,200,131 | 31,385,197 |
| Health and sanitation | 3,596,984 | -- | 134,551 | 3,731,535 |
| Public assistance | 2,236,608 | -- | -- | 2,236,608 |
| Education | 13,966,009 | -- | -- | 13,966,009 |
| Recreation and cultural services | 11,909,222 | 777,287 | 97,400 | 12,783,909 |
| Capital outlay | 1,904,978 | -- | 38,529,166 | 40,434,144 |
| Debt Service: | | | | |
| Principal | 77,955 | 4,970,561 | -- | 5,048,516 |
| Debt issuance costs | -- | 172,042 | -- | 172,042 |
| Interest | 47,062 | 10,319,248 | -- | 10,366,310 |
| Total expenditures | 68,450,085 | 16,274,130 | 69,718,040 | 154,442,255 |
| Excess (deficiency) of revenues over (under) expenditures | 85,997,222 | (13,185,245) | (63,258,474) | 9,553,503 |
| Other Financing Sources (Uses): | | | | |
| Refunding debt issued | -- | 6,163,324 | 250,000 | 6,413,324 |
| Payment to refunded bond escrow agent | -- | (6,003,398) | -- | (6,003,398) |
| Transfers in | 7,494,184 | 12,542,330 | 14,276,169 | 34,312,683 |
| Transfers out | (69,951,105) | -- | (483,922) | (70,435,027) |
| Total other financing sources (uses), net | (62,456,921) | 12,702,256 | 14,042,247 | (35,712,418) |
| Net change in fund balances | 23,540,301 | (482,989) | (49,216,227) | (26,158,915) |
| Fund balances, beginning of year - restated | 140,831,028 | 14,092,908 | 77,890,653 | 232,814,589 |
| Fund balances, end of year | $ 164,371,329 | $ 13,609,919 | $ 28,674,426 | $ 206,655,674 |

# NONMAJOR SPECIAL REVENUE FUNDS

This page intentionally left blank

## NONMAJOR GOVERNMENTAL FUNDS

### NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than capital projects or debt service. The County's nonmajor special revenue funds are comprised of the following:

Road

The Road fund provides for the County Road Program, which protects, preserves, enhances and improves the existing County road system. This fund pays for the construction and maintenance of the road system in the unincorporated areas of the County. The fund receives revenue primarily derived from highway users, including license fees and taxes upon motor vehicles, trailers, and motor fuel. Once moneys are deposited into the Road Fund, it is restricted to expenditures made in compliance with article XIX of the California Constitution and Streets and Highway Code Sections 2101 and 2150.

Marin County Free Library (Library)

Funded primarily from its share of property taxes, the Marin County Free Library serves the unincorporated areas of the County, as well as the cities of Fairfax, Novato and Corte Madera. The Library is a special district that operates ten branch libraries within the County under the authority of the County Board of Supervisors. The Board of Supervisors appoints the Director of County Library Services, approves the Library budget, and has the ultimate responsibility for County Library services.

Fish and Game

The Fish and Game fund provides for expenditures of funds to projects that benefit fish and wildlife in the County pursuant to California Fish and Game Code Section 13100, to advise and make recommendations to the Board of Supervisors on all matters pertaining to fish and wildlife propagation and habitat conservation. This fund is financed by fines imposed from Fish and Game Code violations.

Child Support Services (Child Support)

Child Support Services is a non-general fund County division responsible for establishing and enforcing orders for child support. Its mission is to serve the community and enhance the lives of children through establishing paternity, establishing child support orders and collecting support. Some of the funding is provided from federal and state grants and some of the funding is matched by the County via a transfer from the General Fund. Incentive funds are also provided by the state and federal governments. Such grants are obtained for a specific purpose and may only be used for the purpose obtained with state and federal dollars constituting its revenues.

Health and Sanitation

The Health and Sanitation Fund provides for the benefit of well-being of the County residents including administration of federal, state and local entitlement programs, and a vast array of community based health and human services.

Building Inspection

The Building Inspection fund was established to account for the provision of building inspection, plan filing, and building permits to the residents of the County and to enforce building code. Funding is provided by fees charged to external users, and all activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, and billing and collection. Any revenues collected in excess of expenditures received in a given year are retained in the fund balance and can be used to cover building inspection costs in future years.

Environmental Health

The Environmental Health fund accounts for the provision of the County's comprehensive Environmental Health program, which includes the promotion of environmental health, control of communicable diseases and the prolonging of life and the promotion of the well-being of the people of the County. Funding is sourced through Federal grants, fees, and local taxes via contributions from the County. The Environmental Health fund receives funds from the issuance of permits and licenses to fund its inspections for public health protection and the well-being of all Marin County residents, workers, and visitors by preventing injury and the spread of disease by identifying potential dangerous and unhealthy situations and the promotion of sound environmental health practices through education and the enforcement of public health statutes and regulations.

FishNet 4C (Fishnet)

The FishNet 4C program is a County-based, regional salmon protection and restoration program created under a Memorandum of Agreement between the six Central California Coastal Counties of Marin, Mendocino, Monterey, San Mateo, Santa Cruz, and Sonoma. A prime objective of the FishNet 4C Program has been to evaluated the land management practices of each county and any written policies related to protecting salmonid populations, and to make recommendations for improving these practices and policies. Funds are provided through federal, state, regional, and local governments as well as other private and public organizations.

Housing and Urban Development Funds (HUD)

This fund was established to account for federal and state grant proceeds and disbursements associated with housing and community development within the County. Such grants are generally obtained from the Department of Housing and Urban Development (HUD), and may only be used for the purposes stipulated in the grant agreement. HUD funds are used to support the development of affordable housing units within the County.

High Tech Theft

The High Technology Theft Apprehension and Prosecution (HTTAP) program is supported by two grants from the Governor's Office of Emergency Services. The HTTAP program seeks to assist local law enforcement and District Attorneys in providing the tools necessary to successfully prevent high technology crime in the jurisdiction of the five task forces. Investigation and prosecution of identity theft crimes is also a part of this program, including Internet tracing and computer forensics, conducting identity theft "sting" operations, and shutting down fraudulent document printers employed as paper mills.

Sewer Districts

The Sewer Districts fund is set up to provide maintenance of reliable sanitary sewer systems, providing sensitive sewage treatment and disposal to sewer and sanitary districts within the County. The Sewer District fund is also used to provide other services to specific geographic areas that utilize their own discrete tax base and specific revenue sources earmarked for their own purposes within their geographic location. Revenues are provided by tax assessments and user charges.

County Service Areas (CSA's)

The County Service Area funds account for special district funds that provide refuse disposal, water, and lighting maintenance services to specific areas in the County. Revenues are derived from user charges and property taxes.

Lighting Districts (Lighting)

The Lighting Districts fund accounts for special district funds that enhance the safety of residents and businesses by providing adequate lighting systems to street lighting districts within the County. Property taxes are the primary source of revenue.

Permanent Road Districts (PRD's)

The Permanent Road District (PRD) funds are responsible for routine and emergency road maintenance, performing inspections and issuing permits, constructing and installing sidewalks, signs, road markings, and landscaping maintenance. Revenues primarily come from state highway user taxes and federal grants.

Tobacco Settlement

The Tobacco Settlement Fund, pursuant to California Health and Safety Code Sections 104555 through 104557 and Senate Bill Number 822, the State of California has collected funds from tobacco manufacturers and apportioned a percentage to the County. Funds collected are used to increase educational efforts related to the adverse health effects of tobacco use and for smoking prevention programs.

In-Home Supportive Services (IHSS)

In-Home Supportive Services (IHSS) provides in-home care to senior citizens, the blind, and persons with disabilities (including children), who are unable to remain safely in their own homes without assistance. IHSS is an alternative to out-of-home care and is a state-mandated program funded through a combination of federal, state and local funds.

Bay Area Storm Water Management

The Bay Area Storm Water Management Agencies Association (BASMAA) is a consortium of eight San Francisco Bay Area municipal storm water programs. BASMAA is designed to encourage information sharing and cooperation, and to develop products and programs that would be more cost-effective if done regionally than could be accomplished locally. In addition, BASMAA provides a forum for representing and advocating the common interests of member programs at the regional and state level.

Open Space District

The Open Space District fund provides support for the Marin County Open Space District. The District is responsible for planning, acquiring, and managing the county's approximately 15,000 acres of open space and 160 miles of public trails. Monies in this fund are used for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of acquired properties.

Low-Income Housing

The RDA HELP Loan program is used to account for a $1.5 million loan received from the State of California. The purpose of the loan is to re-loan the money, at lower than market interest rates, to assist private organizations in financing the construction of low-income housing units to Marin County residents.

Flood Control Zones

The Flood Control Zones are used to account for the activities of various special districts whose primary purpose is flood control and water conservation. Revenues are used to fund the operating expenses of the Regional Flood Control Districts. Funds are obligated by inter-local contracts among districts of the County for the implementation of regional flood control projects. This fund is financed through property taxes and state and federal grants.

Miscellaneous Special Revenue Fund

This fund is used to account for various grant program expenditures, such as adult vaccinations and health studies.

- Social Services Realignment

  The State of California provides support to the Social Services Realignment fund through a realignment of funding streams received from vehicle license fees and sales tax allocated to California counties. Funds are allocated based on altered program cost-sharing ratios, to pay for various social services programs, which were shifted from the state to the County to administer.

- Health Services Realignment

  The State of California provides support to the Health Services Realignment fund through a realignment of funding streams received from vehicle license fees and sales tax allocated to California counties. Funds are allocated based on altered program cost-sharing ratios, to pay for various health services programs, which were shifted from the state to the County to administer.

- Mental Health Realignment

  The State of California provides support to the Mental Health Realignment fund through a realignment of funding streams received from vehicle license fees and sales tax allocated to California counties. Funds are allocated based on altered program cost-sharing ratios, to pay for various mental health programs, which were shifted from the state to the County to administer.

Public Protection

- District Attorney Sundry Trust – It is administered in accordance with Health & Safety Code section 11489, which established the trust. When the Department participates in an arrest, in which property is seized and forfeited to a local government entity, the money forfeited and or the proceeds received from the sale of forfeited property, and any interest accrued thereon, is to be distributed by the state or local government entity according to the provisions of the Code.

- Proposition 64 Civil Penalties – Prop 64, under Business & Professions Code 17206, requires that civil penalties awarded are to be used exclusively to strengthen enforcement of consumer protection laws.

- Fingerprint ID – It accounts for revenues received from vehicle licensing fees, which is to be used for operation and maintenance of the fingerprinting equipment and the related processes.

- Asset Forfeiture, Sheriff – It is administered in accordance with Health & Safety Code section 11489. When the Department participates in an arrest, in which property is seized and forfeited to a local government entity, the money forfeited and or the proceeds received from the sale of forfeited property, and any interest accrued thereon, is to be distributed by the state or local government entity according to the provisions of the Code. The proceeds can be utilized to supplement and not supplant the Department's expenses.

- CLEEP Law Enforcement Equipment – It accounts for revenues received from the State funding for purpose of the purchase and maintenance of the high-technology equipment.

- COPS Juvenile Justice (odd & even years) – AB1913 (2000) created the Crime Prevention Act of 2000, which has been re-titled the Juvenile Justice Crime Prevention Act (JJCPA). The JJCPA is a state-funded initiative to support juvenile probation programs with a track record of reducing crime and delinquency among at-risk youth, young offenders, and the families of these youth. The program provides funds to support a broad spectrum of county probation services targeting at-risk youth and juvenile offenders.

Public Ways and Facilities

- Traffic Mitigation Fees – Funds derived from fees assessed on developers are used to finance construction, betterment and maintenance of the County roads.
- Marin County Storm Water Pollution Prevention Program (MCSTOPPP) – Formed in 1993, MCSTOPPP is a joint effort of Marin's cities, towns and unincorporated areas. Their goal is to prevent storm water pollution, protect and improve water quality in creeks and wetlands, preserve beneficial uses of local waterways, and comply with the State and Federal regulations.

Restricted Housing

The Restricted Housing Fund is used to provide funds for the development of affordable housing units within the County.

Recreation and Cultural Services

- Marin County Tourism Business Improvement District – The District receives a percentage of hotel revenues to finance tourism management and marketing efforts in the district.
- Marin Wildlife Grants – State and Federal grants are to be used for the protection of wildlife in the County of Marin.

Employees' Retirement Operations

The Employees' Retirement Operations Fund provides for the administrative services of employees to maintain the County post-employment benefits.

This page intentionally left blank

# COUNTY OF MARIN

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

| | Road | Library | Fish and Game | Child Support |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments in County pool | $ 5,124,147 | $ 8,712,399 | $ 49,797 | $ 281,016 |
| Accounts receivable | -- | 34,693 | -- | 69,014 |
| Notes receivable - short term | -- | -- | -- | -- |
| Notes receivable - long term | -- | -- | -- | -- |
| Due from other governmental agencies | 300,387 | -- | -- | -- |
| Advances to other funds | -- | -- | -- | -- |
| Inventory of supplies | 106,351 | -- | -- | -- |
| Total assets | $ 5,530,885 | $ 8,747,092 | $ 49,797 | $ 350,030 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 110,567 | $ 100,097 | $ -- | $ 1,756 |
| Accrued salaries and benefits | 155,291 | 236,235 | -- | 86,412 |
| Due to other funds | -- | -- | -- | -- |
| Unearned revenue | -- | -- | -- | -- |
| Other liabilities | 4,447 | 24,285 | 650 | 389 |
| Total liabilities | 270,305 | 360,617 | 650 | 88,557 |
| **FUND BALANCES** | | | | |
| Nonspendable | 106,351 | -- | -- | -- |
| Restricted | 3,602,307 | 4,438,292 | 49,106 | 260,076 |
| Committed | 25,092 | -- | -- | -- |
| Assigned | 1,526,830 | 3,948,183 | 41 | 1,397 |
| Total fund balances | 5,260,580 | 8,386,475 | 49,147 | 261,473 |
| Total liabilities and fund balances | $ 5,530,885 | $ 8,747,092 | $ 49,797 | $ 350,030 |

continued

## COUNTY OF MARIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2014

| | Health and Sanitation Fund | Building Inspection | Environmental Health | Fishnet |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments in County pool | $ 27,554,172 | $ 1,705,120 | $ 519,793 | $ 135,532 |
| Accounts receivable | 659,197 | 40,828 | 501,949 | -- |
| Notes receivable - short term | -- | -- | -- | -- |
| Notes receivable - long term | -- | -- | -- | -- |
| Due from other governmental agencies | 1,536,722 | 2,010 | 80,416 | -- |
| Advances to other funds | -- | -- | 45,400 | -- |
| Inventory of supplies | -- | -- | -- | -- |
| Total assets | $ 29,750,091 | $ 1,747,958 | $ 1,147,558 | $ 135,532 |
| **LIABILITIES** | | | | |
| Accounts payable | $ -- | $ 7,893 | $ 26,458 | $ 6,085 |
| Accrued salaries and benefits | -- | 101,332 | 39,352 | -- |
| Due to other funds | -- | -- | -- | -- |
| Unearned revenue | 352,565 | -- | -- | -- |
| Other liabilities | 16,993 | 473 | 220 | -- |
| Total liabilities | 369,558 | 109,698 | 66,030 | 6,085 |
| **FUND BALANCES** | | | | |
| Nonspendable | -- | -- | -- | -- |
| Restricted | 18,123,388 | 1,600,352 | 961,667 | 129,295 |
| Committed | -- | -- | -- | -- |
| Assigned | 11,257,145 | 37,908 | 119,861 | 152 |
| Total fund balances | 29,380,533 | 1,638,260 | 1,081,528 | 129,447 |
| Total liabilities and fund balances | $ 29,750,091 | $ 1,747,958 | $ 1,147,558 | $ 135,532 |

continued

## COUNTY OF MARIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2014

| | HUD Funds | High Tech Theft | Sewer Districts |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments in County pool | $ -- | $ 263,556 | $ 575,896 |
| Accounts receivable | -- | -- | -- |
| Notes receivable - short term | -- | -- | -- |
| Notes receivable - long term | 14,491,792 | -- | -- |
| Due from other governmental agencies | 739,122 | -- | -- |
| Advances to other funds | -- | -- | -- |
| Inventory of supplies | -- | -- | -- |
| Total assets | $ 15,230,914 | $ 263,556 | $ 575,896 |
| **LIABILITIES** | | | |
| Accounts payable | $ 402,446 | $ 245,028 | $ 25 |
| Accrued salaries and benefits | 9,670 | -- | -- |
| Due to other funds | 327,006 | -- | -- |
| Unearned revenue | -- | -- | -- |
| Other liabilities | -- | 90 | 856 |
| Total liabilities | 739,122 | 245,118 | 881 |
| **FUND BALANCES** | | | |
| Nonspendable | -- | -- | -- |
| Restricted | 14,491,792 | 18,070 | 574,286 |
| Committed | -- | -- | -- |
| Assigned | -- | 368 | 729 |
| Total fund balances | 14,491,792 | 18,438 | 575,015 |
| Total liabilities and fund balances | $ 15,230,914 | $ 263,556 | $ 575,896 |

continued

**COUNTY OF MARIN**

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2014

| | CSAs | Lighting | PRDs |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments in County pool | $ 16,484,439 | $ 1,759,055 | $ 366,832 |
| Accounts receivable | -- | -- | -- |
| Notes receivable - short term | -- | -- | -- |
| Notes receivable - long term | -- | -- | -- |
| Due from other governmental agencies | -- | -- | -- |
| Advances to other funds | -- | -- | -- |
| Inventory of supplies | -- | -- | -- |
| Total assets | $ 16,484,439 | $ 1,759,055 | $ 366,832 |
| **LIABILITIES** | | | |
| Accounts payable | $ 30,044 | $ 9,288 | $ -- |
| Accrued salaries and benefits | -- | -- | -- |
| Due to other funds | -- | -- | -- |
| Unearned revenue | 90 | -- | -- |
| Other liabilities | 401 | 8,803 | -- |
| Total liabilities | 30,535 | 18,091 | -- |
| **FUND BALANCES** | | | |
| Nonspendable | -- | -- | -- |
| Restricted | 16,426,416 | 1,737,743 | 366,422 |
| Committed | -- | -- | -- |
| Assigned | 27,488 | 3,221 | 410 |
| Total fund balances | 16,453,904 | 1,740,964 | 366,832 |
| Total liabilities and fund balances | $ 16,484,439 | $ 1,759,055 | $ 366,832 |

continued

## COUNTY OF MARIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2014

| | Tobacco Settlement | IHSS | Bay Area Stormwater Management |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments in County pool | $ 35,515 | $ 101,646 | $ 50 |
| Accounts receivable | -- | -- | -- |
| Notes receivable - short term | -- | -- | -- |
| Notes receivable - long term | -- | -- | -- |
| Due from other governmental agencies | -- | -- | -- |
| Advances to other funds | -- | -- | -- |
| Inventory of supplies | -- | -- | -- |
| Total assets | $ 35,515 | $ 101,646 | $ 50 |
| **LIABILITIES** | | | |
| Accounts payable | $ -- | $ 27,962 | $ -- |
| Accrued salaries and benefits | -- | 15,177 | -- |
| Due to other funds | 35,500 | -- | -- |
| Unearned revenue | -- | -- | -- |
| Other liabilities | -- | 3,341 | -- |
| Total liabilities | 35,500 | 46,480 | -- |
| **FUND BALANCES** | | | |
| Nonspendable | -- | -- | -- |
| Restricted | 15 | 54,721 | 50 |
| Committed | -- | -- | -- |
| Assigned | -- | 445 | -- |
| Total fund balances | 15 | 55,166 | 50 |
| Total liabilities and fund balances | $ 35,515 | $ 101,646 | $ 50 |

continued

## COUNTY OF MARIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2014

| | Open Space District | Low-Income Housing | Flood Control Zones |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments in County pool | $ 17,890,181 | $ 5,201,398 | $ 23,210,454 |
| Accounts receivable | 1,843,268 | -- | -- |
| Notes receivable - short term | -- | -- | -- |
| Notes receivable - long term | -- | 4,825,325 | -- |
| Due from other governmental agencies | 2,693 | -- | -- |
| Advances to other funds | -- | -- | -- |
| Inventory of supplies | -- | -- | -- |
| Total assets | $ 19,736,142 | $ 10,026,723 | $ 23,210,454 |
| **LIABILITIES** | | | |
| Accounts payable | $ 1,085,984 | $ -- | $ 83,578 |
| Accrued salaries and benefits | 116,973 | -- | -- |
| Due to other funds | -- | -- | -- |
| Unearned revenue | 4,338 | -- | -- |
| Other liabilities | 1,961 | -- | 2,527 |
| Total liabilities | 1,209,256 | -- | 86,105 |
| **FUND BALANCES** | | | |
| Nonspendable | -- | -- | -- |
| Restricted | 15,275,380 | 10,021,061 | 23,091,739 |
| Committed | 500,000 | -- | -- |
| Assigned | 2,751,506 | 5,662 | 32,610 |
| Total fund balances | 18,526,886 | 10,026,723 | 23,124,349 |
| Total liabilities and fund balances | $ 19,736,142 | $ 10,026,723 | $ 23,210,454 |

continued

**COUNTY OF MARIN**

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2014

| | Miscellaneous Special Revenue Fund | Public Protection | Public Ways and Facilities |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments in County pool | $ 2,441,747 | $ 21,250,533 | $ 6,292,154 |
| Accounts receivable | -- | -- | 4,396 |
| Notes receivable - short term | -- | -- | -- |
| Notes receivable - long term | -- | -- | -- |
| Due from other governmental agencies | 696,367 | -- | 346,330 |
| Advances to other funds | -- | -- | -- |
| Inventory of supplies | -- | -- | -- |
| Total assets | $ 3,138,114 | $ 21,250,533 | $ 6,642,880 |
| **LIABILITIES** | | | |
| Accounts payable | $ 47,624 | $ 425,620 | $ 3,116 |
| Accrued salaries and benefits | 649 | 57,885 | -- |
| Due to other funds | -- | -- | -- |
| Unearned revenue | 518,959 | -- | -- |
| Other liabilities | 69,493 | 7,709 | 6,277 |
| Total liabilities | 636,725 | 491,214 | 9,393 |
| **FUND BALANCES** | | | |
| Nonspendable | -- | -- | -- |
| Restricted | 2,319,249 | 19,950,056 | 6,614,397 |
| Committed | -- | -- | -- |
| Assigned | 182,140 | 809,263 | 19,090 |
| Total fund balances | 2,501,389 | 20,759,319 | 6,633,487 |
| Total liabilities and fund balances | $ 3,138,114 | $ 21,250,533 | $ 6,642,880 |

continued

**COUNTY OF MARIN**

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2014

| | Restricted Housing | Recreation and Cultural Services | Employees' Retirement Operations | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments in County pool | $ 1,812,748 | $ 236,358 | $ 63,084 | $ 142,067,622 |
| Accounts receivable | -- | -- | -- | 3,153,345 |
| Notes receivable - short term | 275,000 | -- | -- | 275,000 |
| Notes receivable - long term | 545,675 | -- | -- | 19,862,792 |
| Due from other governmental agencies | 39,757 | -- | -- | 3,743,804 |
| Advances to other funds | -- | -- | -- | 45,400 |
| Inventory of supplies | -- | -- | -- | 106,351 |
| Total assets | $ 2,673,180 | $ 236,358 | $ 63,084 | $ 169,254,314 |
| **LIABILITIES** | | | | |
| Accounts payable | $ -- | $ -- | $ -- | $ 2,613,571 |
| Accrued salaries and benefits | -- | -- | 63,065 | 882,041 |
| Due to other funds | -- | -- | -- | 362,506 |
| Unearned revenue | -- | -- | -- | 875,952 |
| Other liabilities | -- | -- | -- | 148,915 |
| Total liabilities | -- | -- | 63,065 | 4,882,985 |
| **FUND BALANCES** | | | | |
| Nonspendable | -- | -- | -- | 106,351 |
| Restricted | 2,671,086 | 236,094 | 19 | 143,013,079 |
| Committed | -- | -- | -- | 525,092 |
| Assigned | 2,094 | 264 | -- | 20,726,807 |
| Total fund balances | 2,673,180 | 236,358 | 19 | 164,371,329 |
| Total liabilities and fund balances | $ 2,673,180 | $ 236,358 | $ 63,084 | $ 169,254,314 |

**COUNTY OF MARIN**

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | Road | Library | Fish and Game | Child Support |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ -- | $ 9,126,113 | $ -- | $ -- |
| Licenses and permits | -- | -- | -- | -- |
| Intergovernmental revenues | 7,536,902 | 128,329 | -- | 3,686,693 |
| Charges for services | 1,688,662 | 5,143,453 | -- | 116,556 |
| Fines and forfeits | -- | 210,881 | 33,470 | -- |
| From use of money and property | 2,345 | 23,900 | 41 | 659 |
| Miscellaneous | 30,541 | 109,008 | -- | 741 |
| Total revenues | 9,258,450 | 14,741,684 | 33,511 | 3,804,649 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | -- | -- | -- | -- |
| Public protection | -- | -- | 20,080 | 3,720,202 |
| Public ways and facilities | 7,951,475 | -- | -- | -- |
| Health and sanitation | -- | -- | -- | -- |
| Public assistance | -- | -- | -- | -- |
| Education | -- | 13,966,009 | -- | -- |
| Recreation and cultural services | -- | -- | -- | -- |
| Capital outlay | 51,308 | 777,088 | -- | -- |
| Debt Service: | | | | |
| Principal | -- | -- | -- | -- |
| Interest | -- | -- | -- | -- |
| Total expenditures | 8,002,783 | 14,743,097 | 20,080 | 3,720,202 |
| Excess (deficiency) of revenues over (under) expenditures | 1,255,667 | (1,413) | 13,431 | 84,447 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 2,507,653 | 172,445 | -- | -- |
| Transfers out | (134,154) | (227,243) | -- | (84,847) |
| Total other financing sources (uses), net | 2,373,499 | (54,798) | -- | (84,847) |
| Net change in fund balances | 3,629,166 | (56,211) | 13,431 | (400) |
| Fund balances, beginning of year, restated | 1,631,414 | 8,442,686 | 35,716 | 261,873 |
| Fund balances, end of year | $ 5,260,580 | $ 8,386,475 | $ 49,147 | $ 261,473 |

continued

# COUNTY OF MARIN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | Health and Sanitation Fund | Building Inspection | Environmental Health | Fishnet |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ -- | $ -- | $ 91 | $ -- |
| Licenses and permits | -- | 3,428,361 | 3,869,881 | -- |
| Intergovernmental revenues | 48,463,187 | -- | 144,154 | -- |
| Charges for services | 145,978 | 56,856 | 245,222 | -- |
| Fines and forfeits | 4,081 | 11,556 | 38,602 | -- |
| From use of money and property | 35,769 | 1,514 | 476 | 152 |
| Miscellaneous | 19,245 | -- | 750 | -- |
| Total revenues | 48,668,260 | 3,498,287 | 4,299,176 | 152 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | -- | -- | 560,816 | -- |
| Public protection | -- | 2,634,831 | 2,944,471 | -- |
| Public ways and facilities | -- | -- | -- | -- |
| Health and sanitation | 8,463 | 8,575 | 70,320 | -- |
| Public assistance | -- | -- | -- | -- |
| Education | -- | -- | -- | -- |
| Recreation and cultural services | -- | -- | -- | -- |
| Capital outlay | -- | -- | -- | -- |
| Debt Service: | | | | |
| Principal | -- | -- | -- | -- |
| Interest | -- | -- | -- | -- |
| Total expenditures | 8,463 | 2,643,406 | 3,575,607 | -- |
| Excess of revenues over expenditures | 48,659,797 | 854,881 | 723,569 | 152 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 27 | -- | -- | -- |
| Transfers out | (49,297,521) | (51,073) | (82,218) | -- |
| Total other financing uses, net | (49,297,494) | (51,073) | (82,218) | -- |
| Net change in fund balances | (637,697) | 803,808 | 641,351 | 152 |
| Fund balances, beginning of year, restated | 30,018,230 | 834,452 | 440,177 | 129,295 |
| Fund balances, end of year | $ 29,380,533 | $ 1,638,260 | $ 1,081,528 | $ 129,447 |

continued

**COUNTY OF MARIN**

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | HUD Funds | High Tech Theft | Sewer Districts |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes | $ -- | $ -- | $ 56,909 |
| Licenses and permits | -- | -- | -- |
| Intergovernmental revenues | 2,008,607 | 1,290,856 | 304 |
| Charges for services | -- | -- | 63,720 |
| Fines and forfeits | -- | -- | -- |
| From use of money and property | -- | 368 | 727 |
| Miscellaneous | -- | -- | -- |
| Total revenues | 2,008,607 | 1,291,224 | 121,660 |
| **Expenditures:** | | | |
| Current: | | | |
| General government | -- | -- | -- |
| Public protection | -- | 1,235,336 | -- |
| Public ways and facilities | -- | -- | -- |
| Health and sanitation | -- | -- | 105,910 |
| Public assistance | 1,999,940 | -- | -- |
| Education | -- | -- | -- |
| Recreation and cultural services | -- | -- | -- |
| Capital outlay | -- | 50,015 | -- |
| Debt Service: | | | |
| Principal | -- | -- | -- |
| Interest | -- | -- | -- |
| Total expenditures | 1,999,940 | 1,285,351 | 105,910 |
| Excess of revenues over expenditures | 8,667 | 5,873 | 15,750 |
| Other Financing Sources (Uses): | | | |
| Transfers in | -- | -- | -- |
| Transfers out | (8,667) | -- | -- |
| Total other financing uses, net | (8,667) | -- | -- |
| Net change in fund balances | -- | 5,873 | 15,750 |
| Fund balances, beginning of year, restated | 14,491,792 | 12,565 | 559,265 |
| Fund balances, end of year | $ 14,491,792 | $ 18,438 | $ 575,015 |

continued

# COUNTY OF MARIN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | CSAs | Lighting | PRDs |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes | $ 3,921,528 | $ 774,568 | $ 56,817 |
| Licenses and permits | -- | -- | -- |
| Intergovernmental revenues | 19,248 | 3,566 | 338 |
| Charges for services | 1,706,061 | 84,283 | 29,463 |
| Fines and forfeits | 4,460 | -- | -- |
| From use of money and property | 27,487 | 3,221 | 410 |
| Miscellaneous | -- | -- | -- |
| Total revenues | 5,678,784 | 865,638 | 87,028 |
| **Expenditures:** | | | |
| Current: | | | |
| General government | -- | -- | -- |
| Public protection | 2,426,332 | -- | -- |
| Public ways and facilities | 34,338 | 627,868 | 60,333 |
| Health and sanitation | 41,058 | -- | -- |
| Public assistance | -- | -- | -- |
| Education | -- | -- | -- |
| Recreation and cultural services | 1,700,683 | -- | -- |
| Capital outlay | 115,799 | -- | -- |
| Debt Service: | | | |
| Principal | 39,016 | 38,939 | -- |
| Interest | 34,502 | 11,588 | -- |
| Total expenditures | 4,391,728 | 678,395 | 60,333 |
| Excess of revenues over expenditures | 1,287,056 | 187,243 | 26,695 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 11,500 | -- | -- |
| Transfers out | (896,079) | -- | -- |
| Total other financing uses, net | (884,579) | -- | -- |
| Net change in fund balances | 402,477 | 187,243 | 26,695 |
| Fund balances, beginning of year, restated | 16,051,427 | 1,553,721 | 340,137 |
| Fund balances, end of year | $ 16,453,904 | $ 1,740,964 | $ 366,832 |

continued

**COUNTY OF MARIN**

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | Tobacco Settlement | IHSS | Bay Area Stormwater Management |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes | $ -- | $ -- | $ -- |
| Licenses and permits | -- | -- | -- |
| Intergovernmental revenues | 150,000 | 1,770,226 | -- |
| Charges for services | 1,450 | -- | -- |
| Fines and forfeits | -- | -- | -- |
| From use of money and property | 91 | 446 | -- |
| Miscellaneous | -- | -- | -- |
| Total revenues | 151,541 | 1,770,672 | -- |
| **Expenditures:** | | | |
| Current: | | | |
| General government | -- | -- | -- |
| Public protection | -- | -- | -- |
| Public ways and facilities | -- | -- | -- |
| Health and sanitation | -- | 2,092,581 | -- |
| Public assistance | -- | -- | -- |
| Education | -- | -- | -- |
| Recreation and cultural services | -- | -- | -- |
| Capital outlay | -- | -- | -- |
| Debt Service: | | | |
| Principal | -- | -- | -- |
| Interest | -- | -- | -- |
| Total expenditures | -- | 2,092,581 | -- |
| Excess (deficiency) of revenues over (under) expenditures | 151,541 | (321,909) | -- |
| Other Financing Sources (Uses): | | | |
| Transfers in | 35,500 | 322,355 | -- |
| Transfers out | (187,026) | -- | -- |
| Total other financing sources (uses), net | (151,526) | 322,355 | -- |
| Net change in fund balances | 15 | 446 | -- |
| Fund balances, beginning of year, restated | -- | 54,720 | 50 |
| Fund balances, end of year | $ 15 | $ 55,166 | $ 50 |

continued

## COUNTY OF MARIN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | Open Space District | Low-Income Housing | Flood Control Zones |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes | $ 20,398,298 | $ -- | $ 4,800,958 |
| Licenses and permits | -- | 382,370 | -- |
| Intergovernmental revenues | 304,839 | -- | 61,561 |
| Charges for services | -- | -- | 2,411,245 |
| Fines and forfeits | 24,305 | -- | 10,801 |
| From use of money and property | 35,208 | 5,662 | 32,613 |
| Miscellaneous | 225,899 | -- | -- |
| Total revenues | 20,988,549 | 388,032 | 7,317,178 |
| **Expenditures:** | | | |
| Current: | | | |
| General government | -- | -- | -- |
| Public protection | -- | -- | 4,669,676 |
| Public ways and facilities | -- | -- | -- |
| Health and sanitation | -- | -- | -- |
| Public assistance | -- | 21,351 | -- |
| Education | -- | -- | -- |
| Recreation and cultural services | 10,208,539 | -- | -- |
| Capital outlay | 201,326 | -- | 15,917 |
| Debt Service: | | | |
| Principal | -- | -- | -- |
| Interest | -- | -- | 972 |
| Total expenditures | 10,409,865 | 21,351 | 4,686,565 |
| Excess of revenues over expenditures | 10,578,684 | 366,681 | 2,630,613 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 17,400 | 250,000 | -- |
| Transfers out | (267,471) | (175,047) | (76,970) |
| Total other financing sources (uses), net | (250,071) | 74,953 | (76,970) |
| Net change in fund balances | 10,328,613 | 441,634 | 2,553,643 |
| Fund balances, beginning of year, restated | 8,198,273 | 9,585,089 | 20,570,706 |
| Fund balances, end of year | $ 18,526,886 | $ 10,026,723 | $ 23,124,349 |

continued

## COUNTY OF MARIN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | Miscellaneous Special Revenue Fund | Public Protection | Public Ways and Facilities |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes | $ -- | $ -- | $ -- |
| Licenses and permits | -- | -- | 1,305,554 |
| Intergovernmental revenues | 1,696,746 | 21,455,131 | 718,805 |
| Charges for services | 498,349 | 381,259 | 557,835 |
| Fines and forfeits | -- | 592,772 | 12,011 |
| From use of money and property | 3,492 | 25,925 | 19,088 |
| Miscellaneous | -- | -- | -- |
| Total revenues | 2,198,587 | 22,455,087 | 2,613,293 |
| **Expenditures:** | | | |
| Current: | | | |
| General government | 5,000 | 7,248 | 68,357 |
| Public protection | 832,294 | 3,505,911 | 750,867 |
| Public ways and facilities | -- | -- | 511,052 |
| Health and sanitation | 577,282 | 692,795 | -- |
| Public assistance | -- | 215,317 | -- |
| Education | -- | -- | -- |
| Recreation and cultural services | -- | -- | -- |
| Capital outlay | 139,685 | 421,610 | 132,230 |
| Debt Service: | | | |
| Principal | -- | -- | -- |
| Interest | -- | -- | -- |
| Total expenditures | 1,554,261 | 4,842,881 | 1,462,506 |
| Excess of revenues over expenditures | 644,326 | 17,612,206 | 1,150,787 |
| Other Financing Sources (Uses): | | | |
| Transfers in | -- | 3,827,516 | 299,688 |
| Transfers out | (892,865) | (14,419,825) | (3,089,978) |
| Total other financing uses, net | (892,865) | (10,592,309) | (2,790,290) |
| Net change in fund balances | (248,539) | 7,019,897 | (1,639,503) |
| Fund balances, beginning of year, restated | 2,749,928 | 13,739,422 | 8,272,990 |
| Fund balances, end of year | $ 2,501,389 | $ 20,759,319 | $ 6,633,487 |

continued

## COUNTY OF MARIN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | Restricted Housing | Recreation and Cultural Services | Employees' Retirement Operations | Total |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ -- | $ -- | $ -- | $ 39,135,282 |
| Licenses and permits | -- | -- | -- | 8,986,166 |
| Intergovernmental revenues | -- | -- | 2,204,901 | 91,644,393 |
| Charges for services | -- | -- | -- | 13,130,392 |
| Fines and forfeits | -- | -- | -- | 942,939 |
| From use of money and property | 2,094 | 263 | -- | 221,951 |
| Miscellaneous | -- | -- | -- | 386,184 |
| Total revenues | 2,094 | 263 | 2,204,901 | 154,447,307 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | -- | -- | 2,144,780 | 2,786,201 |
| Public protection | -- | -- | -- | 22,740,000 |
| Public ways and facilities | -- | -- | -- | 9,185,066 |
| Health and sanitation | -- | -- | -- | 3,596,984 |
| Public assistance | -- | -- | -- | 2,236,608 |
| Education | -- | -- | -- | 13,966,009 |
| Recreation and cultural services | -- | -- | -- | 11,909,222 |
| Capital outlay | -- | -- | -- | 1,904,978 |
| Debt Service: | | | | |
| Principal | -- | -- | -- | 77,955 |
| Interest | -- | -- | -- | 47,062 |
| Total expenditures | -- | -- | 2,144,780 | 68,450,085 |
| Excess of revenues over expenditures | 2,094 | 263 | 60,121 | 85,997,222 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | -- | -- | 50,100 | 7,494,184 |
| Transfers out | -- | -- | (60,121) | (69,951,105) |
| Total other financing uses, net | -- | -- | (10,021) | (62,456,921) |
| Net change in fund balances | 2,094 | 263 | 50,100 | 23,540,301 |
| Fund balances, beginning of year, restated | 2,671,086 | 236,095 | (50,081) | 140,831,028 |
| Fund balances, end of year | $ 2,673,180 | $ 236,358 | $ 19 | $ 164,371,329 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Road Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ 6,713,154 | $ 6,713,154 | $ 7,536,902 | $ 823,748 |
| Charges for services | 396,860 | 1,845,790 | 1,688,662 | (157,128) |
| From use of money and property | 3,800 | 3,800 | 2,345 | (1,455) |
| Miscellaneous | 60,000 | 60,000 | 30,541 | (29,459) |
| Total revenues | 7,173,814 | 8,622,744 | 9,258,450 | 635,706 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public ways and facilities | | | | |
| Public Works | 10,324,577 | 11,227,647 | 7,951,475 | 3,276,172 |
| Total public ways and facilities | 10,324,577 | 11,227,647 | 7,951,475 | 3,276,172 |
| Capital Outlay | 250,000 | 82,425 | 51,308 | 31,117 |
| Total expenditures | 10,574,577 | 11,310,072 | 8,002,783 | 3,307,289 |
| Excess of revenues over expenditures | (3,400,763) | (2,687,328) | 1,255,667 | 3,942,995 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 1,514,282 | 2,625,673 | 2,507,653 | (118,020) |
| Transfers out | -- | -- | (134,154) | (134,154) |
| Total other financing sources, net | 1,514,282 | 2,625,673 | 2,373,499 | (252,174) |
| Net change in fund balances | (1,886,481) | (61,655) | 3,629,166 | 3,690,821 |
| Fund balances, beginning of year | 1,631,414 | 1,631,414 | 1,631,414 | -- |
| Fund balances, end of year | $ (255,067) | $ 1,569,759 | $ 5,260,580 | $ 3,690,821 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Library Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Taxes | $ 8,671,732 | $ 8,698,732 | $ 9,126,113 | $ 427,381 |
| Intergovernmental revenues | 114,000 | 114,000 | 128,329 | 14,329 |
| Charges for services | 5,116,890 | 5,121,466 | 5,143,453 | 21,987 |
| Fines and forfeits | 234,200 | 234,200 | 210,881 | (23,319) |
| From use of money and property | 18,200 | 4,700 | 23,900 | 19,200 |
| Miscellaneous | 62,910 | 143,966 | 109,008 | (34,958) |
| Total revenues | 14,217,932 | 14,317,064 | 14,741,684 | 424,620 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Education | | | | |
| Law Library | 210,000 | 210,000 | 211,068 | (1,068) |
| Marin County Free Library | 15,541,387 | 16,082,873 | 13,754,941 | 2,327,932 |
| Total education | 15,751,387 | 16,292,873 | 13,966,009 | 2,326,864 |
| Capital Outlay | 230,974 | 88,496 | 777,088 | (688,592) |
| Total expenditures | 15,982,361 | 16,381,369 | 14,743,097 | 1,638,272 |
| Deficiency of revenues under expenditures | (1,764,429) | (2,064,305) | (1,413) | 2,062,892 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 160,000 | 177,813 | 172,445 | (5,368) |
| Transfers out | -- | (17,813) | (227,243) | (209,430) |
| Total other financing sources (uses), net | 160,000 | 160,000 | (54,798) | (214,798) |
| Net change in fund balances | (1,604,429) | (1,904,305) | (56,211) | 1,848,094 |
| Fund balances, beginning of year, restated | 8,442,686 | 8,442,686 | 8,442,686 | -- |
| Fund balances, end of year | $ 6,838,257 | $ 6,538,381 | $ 8,386,475 | $ 1,848,094 |

## COUNTY OF MARIN

Budgetary Comparison Schedule
Fish and Game Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Fines and forfeits | $ 25,000 | $ 25,000 | $ 33,470 | $ 8,470 |
| Miscellaneous | -- | -- | 41 | 41 |
| Total revenues | 25,000 | 25,000 | 33,511 | 8,511 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public protection | | | | |
| Non - Departmental | 25,000 | 25,000 | 20,080 | 4,920 |
| Total public protection | 25,000 | 25,000 | 20,080 | 4,920 |
| Total expenditures | 25,000 | 25,000 | 20,080 | 4,920 |
| Net change in fund balances | -- | -- | 13,431 | 13,431 |
| Fund balances, beginning of year, restated | 35,716 | 35,716 | 35,716 | -- |
| Fund balances, end of year | $ 35,716 | $ 35,716 | $ 49,147 | $ 13,431 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Child Support Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ 3,808,270 | $ 3,870,560 | $ 3,686,693 | $ (183,867) |
| Charges for services | 121,447 | 123,290 | 116,556 | (6,734) |
| From use of money and property | 3,000 | 3,000 | 659 | (2,341) |
| Miscellaneous | 683 | 683 | 741 | 58 |
| Total revenues | 3,933,400 | 3,997,533 | 3,804,649 | (192,884) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public protection | | | | |
| Child Support Services | 3,933,400 | 3,997,533 | 3,720,202 | 277,331 |
| Total public protection | 3,933,400 | 3,997,533 | 3,720,202 | 277,331 |
| Total expenditures | 3,933,400 | 3,997,533 | 3,720,202 | 277,331 |
| Excess (deficiency) of revenues over (under) expenditures | -- | -- | 84,447 | 84,447 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | -- | -- | (84,847) | (84,847) |
| Total other financing sources (uses) | -- | -- | (84,847) | (84,847) |
| Net change in fund balances | -- | -- | (400) | (400) |
| Fund balances, beginning of year | 261,873 | 261,873 | 261,873 | -- |
| Fund balances, end of year | $ 261,873 | $ 261,873 | $ 261,473 | $ (400) |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Health and Sanitation
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ 57,386,407 | $ 63,488,010 | $ 48,463,187 | $ (15,024,823) |
| Charges for services | 101,800 | 704,470 | 145,978 | (558,492) |
| Fines and forfeits | -- | 10,000 | 4,081 | (5,919) |
| From use of money and property | -- | -- | 35,769 | 35,769 |
| Miscellaneous | -- | -- | 19,245 | 19,245 |
| Total revenues | 57,488,207 | 64,202,480 | 48,668,260 | (15,534,220) |
| **Expenditures:** | | | | |
| Health and sanitation | | | | |
| Health and Human Services | -- | 20,653 | 8,463 | (12,190) |
| Total health and sanitation | -- | 20,653 | 8,463 | (12,190) |
| Total expenditures | -- | 20,653 | 8,463 | (12,190) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | -- | -- | 27 | 27 |
| Transfers out | (57,488,207) | (64,181,827) | (49,297,521) | 14,884,306 |
| Total other financing sources (uses), net | (57,488,207) | (64,181,827) | (49,297,494) | 14,884,333 |
| Net change in fund balances | -- | -- | (637,697) | (637,697) |
| Fund balances, beginning of year, restated | 29,963,283 | 29,963,283 | 30,018,230 | 54,947 |
| Fund balances, end of year | $ 29,963,283 | $ 29,963,283 | $ 29,380,533 | $ (582,750) |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Building Inspection Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Licenses and permits | $ 2,438,103 | $ 2,626,862 | $ 3,428,361 | $ 801,499 |
| Intergovernmental revenues | -- | 11,000 | -- | (11,000) |
| Charges for services | 53,141 | 53,141 | 56,856 | 3,715 |
| Fines and forfeits | -- | -- | 11,556 | 11,556 |
| From use of money and property | -- | -- | 1,514 | 1,514 |
| Miscellaneous | 2,500 | 2,500 | -- | (2,500) |
| Total revenues | 2,493,744 | 2,693,503 | 3,498,287 | 804,784 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public protection | | | | |
| Community Development Agency | 2,528,827 | 2,687,944 | 2,634,831 | 53,113 |
| Total public protection | 2,528,827 | 2,687,944 | 2,634,831 | 53,113 |
| Health and sanitation | | | | |
| Community Development Agency | -- | 11,000 | 8,575 | 2,425 |
| Total health and sanitation | -- | 11,000 | 8,575 | 2,425 |
| Total expenditures | 2,528,827 | 2,698,944 | 2,643,406 | 55,538 |
| Excess (deficiency) of revenues over (under) expenditures | (35,083) | (5,441) | 854,881 | 860,322 |
| Other Financing Uses: | | | | |
| Transfers out | -- | -- | (51,073) | (51,073) |
| Total other financing uses | -- | -- | (51,073) | (51,073) |
| Net change in fund balances | (35,083) | (5,441) | 803,808 | 809,249 |
| Fund balances, beginning of year | 834,452 | 834,452 | 834,452 | -- |
| Fund balances, end of year | $ 799,369 | $ 829,011 | $ 1,638,260 | $ 809,249 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Environmental Health Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Taxes | $ -- | $ -- | $ 91 | $ 91 |
| Licenses and permits | 3,290,492 | 3,287,492 | 3,869,881 | 582,389 |
| Intergovernmental revenues | 110,000 | 186,620 | 144,154 | (42,466) |
| Charges for services | 241,200 | 298,083 | 245,222 | (52,861) |
| Fines and forfeits | -- | -- | 38,602 | 38,602 |
| From use of money and property | -- | -- | 476 | 476 |
| Miscellaneous | -- | 750 | 750 | - |
| Total revenues | 3,641,692 | 3,772,945 | 4,299,176 | 526,231 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Community Development Agency | 512,090 | 422,090 | 560,816 | (138,726) |
| Total general government | 512,090 | 422,090 | 560,816 | (138,726) |
| Public protection | | | | |
| Community Development Agency | 3,208,968 | 3,218,473 | 2,944,471 | 274,002 |
| Total public protection | 3,208,968 | 3,218,473 | 2,944,471 | 274,002 |
| Health and sanitation | | | | |
| Health and Human Services | -- | 70,320 | 70,320 | -- |
| Total health and sanitation | -- | 70,320 | 70,320 | -- |
| Total expenditures | 3,721,058 | 3,710,883 | 3,575,607 | 135,276 |
| Excess (deficiency) of revenues over (under) expenditures | (79,366) | 62,062 | 723,569 | 661,507 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | -- | 10,000 | -- | (10,000) |
| Transfers out | -- | -- | (82,218) | (82,218) |
| Total other financing sources (uses), net | -- | 10,000 | (82,218) | (92,218) |
| Net change in fund balances | (79,366) | 72,062 | 641,351 | 569,289 |
| Fund balances, beginning of year | 440,177 | 440,177 | 440,177 | -- |
| Fund balances, end of year | $ 360,811 | $ 512,239 | $ 1,081,528 | $ 569,289 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Fishnet Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| From use of money and property | $ -- | $ -- | $ 152 | $ 152 |
| Total revenues | -- | -- | 152 | 152 |
| Net change in fund balances | -- | -- | 152 | 152 |
| Fund balances, beginning of year | 129,295 | 129,295 | 129,295 | -- |
| Fund balances, end of year | $ 129,295 | $ 129,295 | $ 129,447 | $ 152 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
HUD Funds
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ 2,099,091 | $ 4,814,943 | $ 2,008,607 | $ (2,806,336) |
| Total revenues | 2,099,091 | 4,814,943 | 2,008,607 | (2,806,336) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public assistance | | | | |
| Community Development Agency | 519,461 | 4,858,035 | 1,999,940 | 2,858,095 |
| Total public assistance | 519,461 | 4,858,035 | 1,999,940 | 2,858,095 |
| Capital Outlay | 1,579,630 | (68,910) | -- | (68,910) |
| Total expenditures | 2,099,091 | 4,789,125 | 1,999,940 | 2,789,185 |
| Excess of revenues over expenditures | -- | 25,818 | 8,667 | (17,151) |
| Other Financing Uses: | | | | |
| Transfers out | -- | -- | (8,667) | (8,667) |
| Total other financing uses | -- | -- | (8,667) | (8,667) |
| Net change in fund balances | -- | 25,818 | -- | (25,818) |
| Fund balances, beginning of year, restated | -- | -- | 14,491,792 | 14,491,792 |
| Fund balances, end of year | $ -- | $ 25,818 | $ 14,491,792 | $ 14,465,974 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
High Tech Theft Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ 3,079,748 | $ 3,079,748 | $ 1,290,856 | $ (1,788,892) |
| From use of money and property | -- | -- | 368 | 368 |
| Total revenues | 3,079,748 | 3,079,748 | 1,291,224 | (1,788,524) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public protection | | | | |
| District Attorney | 3,080,958 | 3,053,046 | 1,235,336 | 1,817,710 |
| Total public protection | 3,080,958 | 3,053,046 | 1,235,336 | 1,817,710 |
| Capital Outlay | 22,670 | 50,016 | 50,015 | 1 |
| Total expenditures | 3,103,628 | 3,103,062 | 1,285,351 | 1,817,711 |
| Net change in fund balances | (23,880) | (23,314) | 5,873 | 29,187 |
| Fund balances, beginning of year | 12,565 | 12,565 | 12,565 | -- |
| Fund balances, end of year | $ (11,315) | $ (10,749) | $ 18,438 | $ 29,187 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Sewer Districts
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Taxes | $ 48,410 | $ 48,410 | $ 56,909 | $ 8,499 |
| Intergovernmental revenues | 310 | 310 | 304 | (6) |
| Charges for services | 68,048 | 68,048 | 63,720 | (4,328) |
| From use of money and property | 680 | 680 | 727 | 47 |
| Total revenues | 117,448 | 117,448 | 121,660 | 4,212 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Health and sanitation | | | | |
| SMD Murray Park | 121,092 | 121,092 | 105,910 | 15,182 |
| SMD San Quentin | 118,645 | 81,112 | -- | 81,112 |
| Total health and sanitation | 239,737 | 202,204 | 105,910 | 96,294 |
| Total expenditures | 239,737 | 202,204 | 105,910 | 96,294 |
| Net change in fund balances | (122,289) | (84,756) | 15,750 | 100,506 |
| Fund balances, beginning of year | 559,265 | 559,265 | 559,265 | -- |
| Fund balances, end of year | $ 436,976 | $ 474,509 | $ 575,015 | $ 100,506 |

# COUNTY OF MARIN

Budgetary Comparison Schedule
County Service Areas
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 3,573,497 | $ 3,573,497 | $ 3,921,528 | $ 348,031 |
| Intergovernmental revenues | 20,010 | 20,010 | 19,248 | (762) |
| Charges for services | 1,756,439 | 1,756,439 | 1,706,061 | (50,378) |
| Fines and Forfeits | 750 | 750 | 4,460 | 3,710 |
| From use of money and property | 23,770 | 23,770 | 27,487 | 3,717 |
| Total revenues | 5,374,466 | 5,374,466 | 5,678,784 | 304,318 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public protection | | | | |
| CSA#13 Marin County Upper Lucas | 647,101 | 638,046 | 552,527 | 85,519 |
| CSA#17 Kentfield | 160,152 | 160,152 | 160,151 | 1 |
| CSA#19 Fire Pr Svcs | 1,847,876 | 1,847,876 | 1,573,453 | 274,423 |
| CSA#29 Paradise Cay | 484,000 | 476,261 | 129,635 | 346,626 |
| CSA#6 Santa Venetia | 21,868 | 21,868 | 10,566 | 11,302 |
| Total public protection | 3,160,997 | 3,144,203 | 2,426,332 | 717,871 |
| Public ways and facilities | | | | |
| CSA#1 Loma Verde | 91,675 | 91,675 | 12,644 | 79,031 |
| CSA#9 Northbridge | 45,921 | 45,921 | 21,694 | 24,227 |
| Total public ways and facilities | 137,596 | 137,596 | 34,338 | 103,258 |
| Health and sanitation | | | | |
| CSA#27 Ross Vly Par | 34,650 | 37,000 | 34,650 | 2,350 |
| CSA#28 W Marin Para | 6,408 | 6,408 | 6,408 | -- |
| Total health and sanitation | 41,058 | 43,408 | 41,058 | 2,350 |
| Recreation and cultural services | | | | |
| CSA#14 Homestead Vly | 1,095,229 | 1,027,389 | 978,376 | 49,013 |
| CSA#16 Greenbrae | 581,169 | 535,889 | 268,999 | 266,890 |
| CSA#17 Kentfield | 998,915 | 986,809 | 324,605 | 662,204 |
| CSA#18 Gallinas Vil | 284,461 | 148,090 | 106,363 | 41,727 |
| CSA#20 Indian Vlly | 100,084 | 100,084 | 84 | 100,000 |
| CSA#33 Stinson Bch | 37,155 | 29,377 | 22,256 | 7,121 |
| Total recreation and cultural svcs | 3,097,013 | 2,827,638 | 1,700,683 | 1,126,955 |
| Capital Outlay | 200,000 | 336,371 | 115,799 | 426,984 |
| Debt Service: | | | | |
| Principal | 39,020 | 39,020 | 39,016 | 4 |
| Interest | 34,498 | 34,498 | 34,502 | (4) |
| Total debt service | 73,518 | 73,518 | 73,518 | -- |
| Total expenditures | 6,710,182 | 6,562,734 | 4,391,728 | 2,377,418 |
| Excess (deficiency) of revenues over (under) expenditures | (1,335,716) | (1,188,268) | 1,287,056 | 2,475,324 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 11,500 | 11,500 | 11,500 | -- |
| Transfers out | (950,892) | (952,471) | (896,079) | 56,392 |
| Total other financing uses, net | (939,392) | (940,971) | (884,579) | 56,392 |
| Net change in fund balances | (2,275,108) | (2,129,239) | 402,477 | 2,531,716 |
| Fund balances, beginning of year | 16,051,427 | 16,051,427 | 16,051,427 | -- |
| Fund balances, end of year | $ 13,776,319 | $ 13,922,188 | $ 16,453,904 | $ 2,531,716 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Lighting
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Taxes | $ 705,810 | $ 705,810 | $ 774,568 | $ 68,758 |
| Intergovernmental revenues | 3,579 | 3,579 | 3,566 | (13) |
| Charges for services | 83,336 | 83,336 | 84,283 | -- |
| From use of money and property | 1,628 | 1,628 | 3,221 | 1,593 |
| Total revenues | 794,353 | 794,353 | 865,638 | 70,338 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public Ways and Facilities: | | | | |
| Marin County Lighting | 754,572 | 754,572 | 517,346 | 341,684 |
| Rush Creek Lighting | 249,471 | 245,421 | 110,522 | 101,628 |
| Total public ways and facilities | 1,004,043 | 999,993 | 627,868 | 443,312 |
| Debt Service: | | | | |
| Principal | 36,586 | 36,586 | 38,939 | (2,353) |
| Interest | 13,942 | 13,942 | 11,588 | 2,354 |
| Total debt service | 50,528 | 50,528 | 50,527 | 1 |
| Total expenditures | 1,054,571 | 1,050,521 | 678,395 | 443,313 |
| Net change in fund balances | (260,218) | (256,168) | 187,243 | 443,411 |
| Fund balances, beginning of year | 1,553,721 | 1,553,721 | 1,553,721 | -- |
| Fund balances, end of year | $ 1,293,503 | $ 1,297,553 | $ 1,740,964 | $ 443,411 |

## COUNTY OF MARIN

Budgetary Comparison Schedule
Permanent Road Districts
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Taxes | $ 52,418 | $ 52,418 | $ 56,817 | $ 4,399 |
| Intergovernmental revenues | 335 | 335 | 338 | 3 |
| Charges for services | 32,928 | 32,928 | 29,463 | (3,465) |
| From use of money and property | 383 | 383 | 410 | 27 |
| Total revenues | 86,064 | 86,064 | 87,028 | 964 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public ways and facilities | | | | |
| PRD Bolinas Highland | 17,005 | 17,005 | -- | 17,005 |
| PRD Inverness Div#2 | 5,050 | 5,050 | -- | 5,050 |
| PRD Monte Cristo | 25,070 | 25,070 | -- | 25,070 |
| PRD Mt. View Ave. Lagunitas | 7,000 | 7,000 | 19,621 | (12,621) |
| PRD Paradise Estates | 40,810 | 40,810 | 40,712 | 98 |
| Total public ways and facilities | 94,935 | 94,935 | 60,333 | 34,602 |
| Total expenditures | 94,935 | 94,935 | 60,333 | 34,602 |
| Net change in fund balances | (8,871) | (8,871) | 26,695 | 35,566 |
| Fund balances, beginning of year | 340,137 | 340,137 | 340,137 | -- |
| Fund balances, end of year | $ 331,266 | $ 331,266 | $ 366,832 | $ 35,566 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Tobacco Settlement Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ 150,000 | $ 150,000 | $ 150,000 | $ -- |
| Charges for services | -- | -- | 1,450 | 1,450 |
| From use of money and property | -- | -- | 91 | 91 |
| Total revenues | 150,000 | 150,000 | 151,541 | 1,541 |
| Excess of revenues over expenditures | 150,000 | 150,000 | 151,541 | 1,541 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | -- | -- | 35,500 | 35,500 |
| Transfers out | (150,000) | (150,000) | (187,026) | (37,026) |
| Total other financing uses, net | (150,000) | (150,000) | (151,526) | (1,526) |
| Net change in fund balances | -- | -- | 15 | 15 |
| Fund balances, beginning of year | -- | -- | -- | -- |
| Fund balances, end of year | $ -- | $ -- | $ 15 | $ 15 |

# COUNTY OF MARIN

Budgetary Comparison Schedule
IHSS Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ 2,140,000 | $ -- | $ 1,770,226 | $ 1,770,226 |
| From use of money and property | 3,000 | 3,000 | 446 | (2,554) |
| Total revenues | 2,143,000 | 3,000 | 1,770,672 | 1,767,672 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Health and sanitation | | | | |
| IHSS Public Auth | 2,143,000 | 2,143,000 | 2,092,581 | 50,419 |
| Total health and sanitation | 2,143,000 | 2,143,000 | 2,092,581 | 50,419 |
| Total expenditures | 2,143,000 | 2,143,000 | 2,092,581 | 50,419 |
| Deficiency of revenues under expenditures | -- | (2,140,000) | (321,909) | 1,818,091 |
| Other Financing Sources: | | | | |
| Transfers in | -- | 2,140,000 | 322,355 | (1,817,645) |
| Total other financing sources | -- | 2,140,000 | 322,355 | (1,817,645) |
| Net change in fund balances | -- | -- | 446 | 446 |
| Fund balances, beginning of year | 54,720 | 54,720 | 54,720 | -- |
| Fund balances, end of year | $ 54,720 | $ 54,720 | $ 55,166 | $ 446 |

## COUNTY OF MARIN

Budgetary Comparison Schedule
Bay Area Stormwater Management Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| From use of money and property | $ -- | $ -- | $ -- | $ -- |
| Total revenues | -- | -- | -- | -- |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Public Works | -- | -- | -- | -- |
| Total general government | -- | -- | -- | -- |
| Total expenditures | -- | -- | -- | -- |
| Net change in fund balances | -- | -- | -- | -- |
| Fund balances, beginning of year | -- | -- | 50 | 50 |
| Fund balances, end of year | $ -- | $ -- | $ 50 | $ 50 |

## COUNTY OF MARIN

Budgetary Comparison Schedule
Open Space District
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Taxes | $ 5,617,791 | $ 5,617,791 | $ 20,398,298 | $ 14,780,507 |
| Intergovernmental revenues | 10,090,822 | 10,090,822 | 304,839 | (9,785,983) |
| Fines and forfeits | -- | -- | 24,305 | 24,305 |
| From use of money and property | 52,434 | 52,434 | 35,208 | (17,226) |
| Miscellaneous | 207,000 | 207,000 | 225,899 | 18,899 |
| Total revenues | 15,968,047 | 15,968,047 | 20,988,549 | 5,020,502 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Recreation and cultural services | | | | |
| Parks | 6,652,600 | 6,314,428 | 3,958,510 | 2,355,918 |
| Open Space | 7,234,633 | 6,382,416 | 6,250,029 | 132,387 |
| Total recreation and cultural svcs | 13,887,233 | 12,696,844 | 10,208,539 | 2,488,305 |
| Capital Outlay | 199,000 | 201,349 | 201,326 | 23 |
| Total expenditures | 14,086,233 | 12,898,193 | 10,409,865 | 2,488,328 |
| Excess of revenues over expenditures | 1,881,814 | 3,069,854 | 10,578,684 | 7,508,830 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | -- | 17,400 | 17,400 | -- |
| Transfers out | -- | (141,699) | (267,471) | (125,772) |
| Total other financing uses, net | -- | (124,299) | (250,071) | (125,772) |
| Net change in fund balances | 1,881,814 | 2,945,555 | 10,328,613 | 7,383,058 |
| Fund balances, beginning of year | 8,198,273 | 8,198,273 | 8,198,273 | -- |
| Fund balances, end of year | $ 10,080,087 | $ 11,143,828 | $ 18,526,886 | $ 7,383,058 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Low-Income Housing Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Licenses and permits | $ 100,000 | $ 100,000 | $ 382,370 | $ 282,370 |
| From use of money and property | -- | -- | 5,662 | 5,662 |
| Total revenues | 100,000 | 100,000 | 388,032 | 288,032 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public assistance | | | | |
| Community Development Agency | 179,314 | 160,928 | 21,351 | 139,577 |
| Total public assistance | 179,314 | 160,928 | 21,351 | 139,577 |
| Total expenditures | 179,314 | 160,928 | 21,351 | 139,577 |
| Excess (deficiency) of revenues over (under) expenditures | (79,314) | (60,928) | 366,681 | 427,609 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 250,000 | 250,000 | 250,000 | -- |
| Transfers out | (175,047) | (175,047) | (175,047) | -- |
| Total other financing sources, net | 74,953 | 74,953 | 74,953 | -- |
| Net change in fund balances | (4,361) | 14,025 | 441,634 | 427,609 |
| Fund balances, beginning of year | 9,585,089 | 9,585,089 | 9,585,089 | -- |
| Fund balances, end of year | $ 9,580,728 | $ 9,599,114 | $ 10,026,723 | $ 427,609 |

## COUNTY OF MARIN

Budgetary Comparison Schedule
Flood Control Zones
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Taxes | $ 4,408,887 | $ 4,408,887 | $ 4,800,958 | $ 392,071 |
| Intergovernmental revenues | 44,966 | 44,966 | 61,561 | 16,595 |
| Charges for services | 2,637,594 | 2,637,594 | 2,411,245 | (226,349) |
| Fines and forfeits | 900 | 900 | 10,801 | 9,901 |
| From use of money and property | 36,428 | 36,428 | 32,613 | (3,815) |
| Total revenues | 7,128,775 | 7,128,775 | 7,317,178 | 188,403 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public protection | | | | |
| FCZ#1 Novato | 1,744,793 | 1,630,543 | 1,181,447 | 449,096 |
| FCZ#3 Richardson Bay | 2,819,257 | 2,482,721 | 988,289 | 1,494,432 |
| FCZ#4 and FCZ#4A | 706,663 | 657,743 | 346,077 | 311,666 |
| FCZ#5 Stinson Beach | 159,157 | 160,669 | 107,621 | 53,048 |
| FCZ#6 S R Meadows | 25,505 | 24,992 | 18,851 | 6,141 |
| FCZ#7 Santa Venetia | 952,807 | 1,109,716 | 1,006,826 | 102,890 |
| FCZ#9 and FCZ#9A | 4,743,024 | 5,527,334 | 1,016,452 | 4,510,882 |
| FCZ#10 Inverness | 16,526 | 10,726 | 4,113 | 6,613 |
| Total public protection | 11,167,732 | 11,604,444 | 4,669,676 | 6,934,768 |
| Capital Outlay | -- | 16,000 | 15,917 | 83 |
| Debt Service: | | | | |
| Principal | 520,000 | 520,000 | -- | 520,000 |
| Interest | 78,000 | 78,000 | 972 | 77,028 |
| Total debt service | 598,000 | 598,000 | 972 | 597,028 |
| Total expenditures | 11,765,732 | 12,218,444 | 4,686,565 | 7,531,879 |
| Excess (deficiency) of revenues over (under) expenditures | (4,636,957) | (5,089,669) | 2,630,613 | 7,720,282 |
| Other Financing Uses: | | | | |
| Transfers out | -- | (76,970) | (76,970) | -- |
| Total other financing uses | -- | (76,970) | (76,970) | -- |
| Net change in fund balances | (4,636,957) | (5,166,639) | 2,553,643 | 7,720,282 |
| Fund balances, beginning of year, restated | 20,570,706 | 20,570,706 | 20,570,706 | -- |
| Fund balances, end of year | $ 15,933,749 | $ 15,404,067 | $ 23,124,349 | $ 7,720,282 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Miscellaneous Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ -- | $ 2,655,191 | $ 1,696,746 | $ (958,445) |
| Charges for services | 464,106 | 615,333 | 498,349 | (116,984) |
| From use of money and property | -- | -- | 3,492 | 3,492 |
| Total revenues | 464,106 | 3,270,524 | 2,198,587 | (1,071,937) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | -- | -- | 5,000 | (5,000) |
| Total general government | -- | -- | 5,000 | (5,000) |
| Public protection | | | | |
| Health and Human Services | 45,051 | 715,697 | 468,911 | 246,786 |
| Fire | -- | -- | 20,082 | (20,082) |
| Sheriff | 59,837 | 515,769 | 343,301 | 172,468 |
| Total public protection | 104,888 | 1,231,466 | 832,294 | 399,172 |
| Health and sanitation | | | | |
| Health and Human Services | 116,795 | 663,351 | 577,282 | 86,069 |
| Total health and sanitation | 116,795 | 663,351 | 577,282 | 86,069 |
| Capital Outlay | 25,224 | 215,839 | 139,685 | 76,154 |
| Total expenditures | 246,907 | 2,110,656 | 1,554,261 | 556,395 |
| Excess of revenues over expenditures | 217,199 | 1,159,868 | 644,326 | (515,542) |
| Other Financing Uses: | | | | |
| Transfers out | (464,106) | (937,358) | (892,865) | 44,493 |
| Total other financing uses | (464,106) | (937,358) | (892,865) | 44,493 |
| Net change in fund balances | (246,907) | 222,510 | (248,539) | (471,049) |
| Fund balances, beginning of year, restated | 2,734,388 | 2,734,388 | 2,749,928 | 15,540 |
| Fund balances, end of year | $ 2,487,481 | $ 2,956,898 | $ 2,501,389 | $ (455,509) |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Public Protection
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental revenues | $ 4,344,119 | $ 9,734,135 | $ 21,455,131 | $ 11,720,996 |
| Charges for services | 3,909,014 | 4,764,630 | 381,259 | (4,383,371) |
| Fines and forfeits | 540,000 | 722,000 | 592,772 | (129,228) |
| From use of money and property | -- | -- | 25,925 | 25,925 |
| Total revenues | 8,793,133 | 15,220,765 | 22,455,087 | 7,234,322 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Non - Departmental | -- | 7,250 | 7,248 | 2 |
| Total general government | -- | 7,250 | 7,248 | 2 |
| Public protection | | | | |
| Probation | 1,849,341 | 2,503,580 | 2,431,830 | 71,750 |
| Sheriff | 1,164,467 | 1,233,562 | 1,074,081 | 159,481 |
| Total public protection | 3,013,808 | 3,737,142 | 3,505,911 | 231,231 |
| Health and sanitation | | | | |
| Health and Human Services | 699,399 | 764,439 | 692,795 | 71,644 |
| Total health and sanitation | 699,399 | 764,439 | 692,795 | 71,644 |
| Public assistance | | | | |
| Health and Human Services | 143,207 | 248,823 | 215,317 | 33,506 |
| Total public assistance | 143,207 | 248,823 | 215,317 | 33,506 |
| Capital Outlay | 75,000 | 427,606 | 421,610 | 5,996 |
| Total expenditures | 3,931,414 | 5,185,260 | 4,842,881 | 342,379 |
| Excess of revenues over expenditures | 4,861,719 | 10,035,505 | 17,612,206 | 7,576,701 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 3,167,985 | 3,996,705 | 3,827,516 | (169,189) |
| Transfers out | (7,964,202) | (16,325,498) | (14,419,825) | 1,905,673 |
| Total other financing uses, net | (4,796,217) | (12,328,793) | (10,592,309) | 1,736,484 |
| Net change in fund balances | 65,502 | (2,293,288) | 7,019,897 | 9,313,185 |
| Fund balances, beginning of year, restated | 12,861,311 | 12,861,311 | 13,739,422 | 878,111 |
| Fund balances, end of year | $ 12,926,813 | $ 10,568,023 | $ 20,759,319 | $ 10,191,296 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Public Ways and Facilities
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Licenses and permits | $ 703,609 | $ 703,609 | $ 1,305,554 | $ 601,945 |
| Intergovernmental revenues | -- | 2,977,977 | 718,805 | (2,259,172) |
| Charges for services | 687,874 | 687,874 | 557,835 | (130,039) |
| Fines and forfeits | 7,000 | 6,000 | 12,011 | 6,011 |
| From use of money and property | 37,871 | 37,871 | 19,088 | (18,783) |
| Total revenues | 1,436,354 | 4,413,331 | 2,613,293 | (1,800,038) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Public Works | 78,046 | 66,255 | 68,357 | (2,102) |
| Total general government | 78,046 | 66,255 | 68,357 | (2,102) |
| Public protection | | | | |
| Community Development Agency | 47,026 | 40,254 | 28,370 | 11,884 |
| Entities Managed by DPW | 813,207 | 786,330 | 719,922 | 66,408 |
| Public Works | - | 3,033 | 2,575 | 458 |
| Total public protection | 860,233 | 829,617 | 750,867 | 78,750 |
| Public ways and facilities | | | | |
| Public Works | 340,420 | 3,527,000 | 511,052 | 3,015,948 |
| Total public ways and facilities | 340,420 | 3,527,000 | 511,052 | 3,015,948 |
| Capital Outlay | -- | -- | 132,230 | (132,230) |
| Total expenditures | 1,278,699 | 4,422,872 | 1,462,506 | 2,960,366 |
| Excess (deficiency) of revenues over (under) expenditures | 157,655 | (9,541) | 1,150,787 | 1,160,328 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 153,468 | 153,468 | 299,688 | 146,220 |
| Transfers out | (978,964) | (3,260,355) | (3,089,978) | 170,377 |
| Total other financing uses, net | (825,496) | (3,106,887) | (2,790,290) | 316,597 |
| Net change in fund balances | (667,841) | (3,116,428) | (1,639,503) | 1,476,925 |
| Fund balances, beginning of year | 8,272,990 | 8,272,990 | 8,272,990 | -- |
| Fund balances, end of year | $ 7,605,149 | $ 5,156,562 | $ 6,633,487 | $ 1,476,925 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Restricted Low-Income Housing
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| From use of money and property | $ -- | $ -- | $ 2,094 | $ 2,094 |
| Total revenues | -- | -- | 2,094 | 2,094 |
| Net change in fund balances | -- | -- | 2,094 | 2,094 |
| Fund balances, beginning of year | 2,671,086 | 2,671,086 | 2,671,086 | -- |
| Fund balances, end of year | $2,671,086 | $ 2,671,086 | $ 2,673,180 | $ 2,094 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Recreational and Cultural Services
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| From use of money and property | $ -- | $ -- | $ 263 | $ 263 |
| Total revenues | -- | -- | 263 | 263 |
| Net change in fund balances | -- | -- | 263 | 263 |
| Fund balances, beginning of year | 236,095 | 236,095 | 236,095 | -- |
| Fund balances, end of year | $ 236,095 | $ 236,095 | $ 236,358 | $ 263 |

## COUNTY OF MARIN

Budgetary Comparison Schedule
Employees' Retirement Operations
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental | $ 3,766,777 | $ -- | $ 2,204,901 | $ 2,204,901 |
| Total revenues | 3,766,777 | -- | 2,204,901 | 2,204,901 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Retirement | 3,766,777 | 2,366,170 | 2,144,780 | 221,390 |
| Total general government | 3,766,777 | 2,366,170 | 2,144,780 | 221,390 |
| Total expenditures | 3,766,777 | 2,366,170 | 2,144,780 | 221,390 |
| Excess (deficiency) of revenues over (under) expenditures | -- | (2,366,170) | 60,121 | 2,426,291 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | -- | -- | 50,100 | 50,100 |
| Transfers out | -- | -- | (60,121) | (60,121) |
| Total other financing uses, net | -- | -- | (10,021) | (10,021) |
| Net change in fund balances | -- | (2,366,170) | 50,100 | 2,416,270 |
| Fund balances, beginning of year | (50,081) | (50,081) | (50,081) | -- |
| Fund balances, end of year | $ (50,081) | $ (2,416,251) | $ 19 | $ 2,416,270 |

# NONMAJOR CAPITAL PROJECTS FUNDS

This page intentionally left blank

## NONMAJOR GOVERNMENTAL FUNDS

### NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of major capital assets other than those financed by proprietary funds. Funding may only be used for the purpose obtained.

#### Courthouse Construction

This fund provides for the appropriation of Court Construction Funds, restricted by law to be used for the development, rehabilitation and/or enhancement of Court facilities.

#### Miscellaneous Capital Projects

This fund was established to centrally budget major capital improvements in the County. It accounts for appropriations for county capital improvement projects.

#### Other Capital Projects

This fund is used primarily to finance or reimburse the financing of various County improvements, including the renovation, acquisition and construction of capital projects.

This page intentionally left blank

**COUNTY OF MARIN**

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2014

| | Courthouse Construction | Miscellaneous Capital Projects Fund | Other Capital Projects | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments in County pool | $ 774,164 | $ 17,467,191 | $ 1,515,485 | $ 19,756,840 |
| Cash with fiscal agent | -- | 7,849,153 | -- | 7,849,153 |
| Accounts receivable | -- | -- | 20 | 20 |
| Due from other governmental agencies | -- | 5,000 | 4,357,656 | 4,362,656 |
| Total assets | $ 774,164 | $ 25,321,344 | $ 5,873,161 | $ 31,968,669 |
| **LIABILITIES** | | | | |
| Accounts payable and accrued expenses | $ -- | $ 1,984,307 | $ 1,213,257 | $ 3,197,564 |
| Accrued salaries and benefits | -- | 36,113 | -- | 36,113 |
| Unearned revenue | -- | 58,000 | -- | 58,000 |
| Other liabilities | -- | 69 | 2,497 | 2,566 |
| Total liabilities | -- | 2,078,489 | 1,215,754 | 3,294,243 |
| **FUND BALANCES** | | | | |
| Restricted | 773,550 | 1,287,734 | 4,657,407 | 6,718,691 |
| Assigned | 614 | 21,955,121 | -- | 21,955,735 |
| Total fund balances | 774,164 | 23,242,855 | 4,657,407 | 28,674,426 |
| Total liabilities and fund balances | $ 774,164 | $ 25,321,344 | $ 5,873,161 | $ 31,968,669 |

## COUNTY OF MARIN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Capital Project Funds
June 30, 2014

| | Courthouse Construction | Miscellaneous Capital Projects Fund | Other Capital Projects | Total |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Charges for services | $ -- | $ 58,262 | $ 279,688 | $ 337,950 |
| Intergovernmental revenues | -- | 110,035 | 5,322,471 | 5,432,506 |
| Fines and forfeits | 404,160 | 2,175 | -- | 406,335 |
| Use of money and property | 614 | 12,244 | -- | 12,858 |
| Miscellaneous | -- | 269,917 | -- | 269,917 |
| Total revenues | 404,774 | 452,633 | 5,602,159 | 6,459,566 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | -- | 7,484,259 | -- | 7,484,259 |
| Public protection | -- | 1,272,533 | -- | 1,272,533 |
| Public ways and facilities | -- | 168,698 | 22,031,433 | 22,200,131 |
| Health and Sanitation | -- | 134,551 | -- | 134,551 |
| Recreation and cultural events | -- | 97,400 | -- | 97,400 |
| Capital outlay | -- | 38,481,781 | 47,385 | 38,529,166 |
| Total expenditures | -- | 47,639,222 | 22,078,818 | 69,718,040 |
| Excess (deficiency) of revenues over (under) expenditures | 404,774 | (47,186,589) | (16,476,659) | (63,258,474) |
| Other Financing Sources (Uses): | | | | |
| Debt issued | -- | 250,000 | -- | 250,000 |
| Transfers in | -- | 7,137,965 | 7,138,204 | 14,276,169 |
| Transfers out | (450,000) | (33,922) | -- | (483,922) |
| Total other financing sources (uses), net | (450,000) | 7,354,043 | 7,138,204 | 14,042,247 |
| Net change in fund balances | (45,226) | (39,832,546) | (9,338,455) | (49,216,227) |
| Fund balances, beginning of year - restated | 819,390 | 63,075,401 | 13,995,862 | 77,890,653 |
| Fund balances, end of year | $ 774,164 | $ 23,242,855 | $ 4,657,407 | $ 28,674,426 |

## COUNTY OF MARIN

Budgetary Comparison Schedule
Courthouse Construction
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Fines and forfeits | $ 450,000 | $ 450,000 | $ 404,160 | $ (45,840) |
| From use of money and property | -- | -- | 614 | 614 |
| Total revenues | 450,000 | 450,000 | 404,774 | (45,226) |
| Excess of revenues over expenditures | 450,000 | 450,000 | 404,774 | (45,226) |
| Other Financing Uses: | | | | |
| Transfers out | (450,000) | (450,000) | (450,000) | -- |
| Total other financing uses | (450,000) | (450,000) | (450,000) | -- |
| Net change in fund balances | -- | -- | (45,226) | (45,226) |
| Fund balances, beginning of year | 819,390 | 819,390 | 819,390 | -- |
| Fund balances, end of year | $ 819,390 | $ 819,390 | $ 774,164 | $ (45,226) |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Miscellaneous Capital Project Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Licenses and permits | $ -- | $ 213,484 | $ -- | $ (213,484) |
| Intergovernmental revenues | -- | 10,000 | 110,035 | 100,035 |
| Charges for services | 10,000 | -- | 58,262 | 58,262 |
| From use of money and property | -- | -- | 12,244 | 12,244 |
| Fines and forfeits | -- | -- | 2,175 | 2,175 |
| Miscellaneous | -- | 269,917 | 269,917 | -- |
| Total revenues | 10,000 | 493,401 | 452,633 | (42,943) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Public Works | 25,251,478 | 51,137,486 | 7,484,259 | 43,653,227 |
| Total general government | 25,251,478 | 51,137,486 | 7,484,259 | 43,653,227 |
| Public protection | | | | |
| Public Works | 240,583 | 2,709,915 | 1,272,533 | 1,437,382 |
| Total public protection | 240,583 | 2,709,915 | 1,272,533 | 1,437,382 |
| Public ways and facilities | | | | |
| Public Works | 23,753 | 2,588,011 | 168,698 | 2,419,313 |
| Total public ways and facilities | 23,753 | 2,588,011 | 168,698 | 2,419,313 |
| Health and sanitation | | | | |
| Public Works | -- | 224,996 | 134,551 | 90,445 |
| Total health and sanitation | -- | 224,996 | 134,551 | 90,445 |
| Education | | | | |
| Public Works | -- | 84,347 | -- | 84,347 |
| Total education | -- | 84,347 | -- | 84,347 |
| Recreation and cultural services | | | | |
| Parks | 150,412 | 2,146,338 | 48,433 | 2,097,905 |
| Public Works | 11,178 | 234,199 | 48,967 | 185,232 |
| Total recreation and cultural svcs | 161,590 | 2,380,537 | 97,400 | 2,283,137 |
| Capital Outlay | 2,962,169 | -- | 38,481,781 | (38,481,781) |
| Total expenditures | 28,639,573 | 59,125,292 | 47,639,222 | 11,486,070 |
| Deficiency of revenues under expenditures | (28,629,573) | (58,631,891) | (47,186,589) | (11,443,127) |

continued

**COUNTY OF MARIN**

Budgetary Comparison Schedule (continued)
Miscellaneous Capital Project Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| Other Financing Sources (Uses): | | | | |
| Debt issued | $ -- | $ 1,371,100 | $ 250,000 | $ (1,121,100) |
| Transfers in | 4,000,000 | 7,367,611 | 7,137,965 | (229,646) |
| Transfers out | -- | -- | (33,922) | (33,922) |
| Total other financing sources, net | 4,000,000 | 8,738,711 | 7,354,043 | (1,384,668) |
| Net change in fund balances | (24,629,573) | (49,893,180) | (39,832,546) | 10,060,634 |
| Fund balances, beginning of year | 63,075,401 | 63,075,401 | 63,075,401 | -- |
| Fund balances, end of year | $ 38,445,828 | $ 13,182,221 | $ 23,242,855 | $ 10,060,634 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Other Capital Projects
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Licenses and permits | $ -- | $ -- | $ 279,688 | $ 279,688 |
| Intergovernmental revenues | -- | 6,278,444 | 5,322,471 | (955,973) |
| Total revenues | -- | 6,278,444 | 5,602,159 | (676,285) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public ways and facilities | | | | |
| Public Works | 12,057,599 | 24,928,153 | 22,031,433 | 2,896,720 |
| Total public ways and facilities | 12,057,599 | 24,928,153 | 22,031,433 | 2,896,720 |
| Capital Outlay | -- | -- | 47,385 | (47,385) |
| Total expenditures | 12,057,599 | 24,928,153 | 22,078,818 | 2,849,335 |
| Deficiency of revenues under expenditures | (12,057,599) | (18,649,709) | (16,476,659) | 2,173,050 |
| Other Financing Sources: | | | | |
| Transfers in | 2,900,000 | 7,138,204 | 7,138,204 | -- |
| Total other financing sources | 2,900,000 | 7,138,204 | 7,138,204 | -- |
| Net change in fund balances | (9,157,599) | (11,511,505) | (9,338,455) | 2,173,050 |
| Fund balances, beginning of year | 13,995,862 | 13,995,862 | 13,995,862 | -- |
| Fund balances, end of year | $ 4,838,263 | $ 2,484,357 | $ 4,657,407 | $ 2,173,050 |

# NONMAJOR DEBT SERVICE FUNDS

## NONMAJOR GOVERNMENTAL FUNDS

### DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on the County's general long-term debt and related costs.

Open Space Debt Service
The Open Space Debt Service fund is used to account for the accumulation of resources for the payment of the 2002 Open Space Revenue Bonds debt principal, interest, and related costs.

Pension Obligation Bond (2003 POB)

The Pension Obligation Bond fund is used to accumulate resources for the payment of principal and interest and related costs of the Taxable Pension Obligation Bond of 2003 debt. The bonds were sold primarily to provide funds to refinance the County's actuarial accrued liability with respect to retirement benefits for County employees and retirees.

Debt Service

The Debt Service fund is used to account for the accumulation of resources for and the payment of principal and interest on the County's general long-term debt and related costs.

Tobacco Securitization

The Tobacco Securitization debt service fund is used to account for the County's portion of receipts from the Tobacco Industry from the sale of tobacco products and the payment of Tobacco Settlement Asset-Backed Bonds of 2007 debt principal, interest and related costs.

This page intentionally left blank

**COUNTY OF MARIN**

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2014

| | Open Space Debt Service | 2003 POB | Debt Service | Tobacco Securitization | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and investments in County pool | $ 563,228 | $ 5,255,153 | $ 122,531 | $ 518 | $ 5,941,430 |
| Cash with fiscal agent | -- | -- | 4,003,550 | 3,717,194 | 7,720,744 |
| Total assets | $ 563,228 | $ 5,255,153 | $ 4,126,081 | $ 3,717,712 | $ 13,662,174 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 6,733 | $ -- | $ 122 | $ -- | $ 6,855 |
| Advances payable | -- | -- | 45,400 | -- | 45,400 |
| Total liabilities | 6,733 | -- | 45,522 | -- | 52,255 |
| **FUND BALANCES** | | | | | |
| Restricted | 556,113 | 5,253,811 | 3,872,654 | 3,612,415 | 13,294,993 |
| Assigned | 382 | 1,342 | 207,905 | 105,297 | 314,926 |
| Total fund balances | 556,495 | 5,255,153 | 4,080,559 | 3,717,712 | 13,609,919 |
| Total liabilities and fund balances | $ 563,228 | $ 5,255,153 | $ 4,126,081 | $ 3,717,712 | $ 13,662,174 |

## COUNTY OF MARIN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2014

| | Open Space Debt Service | 2003 POB | Debt Service | Tobacco Securitization | Total |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Charges for services | $ 660,566 | $ -- | $ 71,444 | $ -- | $ 732,010 |
| From use of money and property | 383 | 3,369 | 2,703 | 127,296 | 133,751 |
| Miscellaneous | -- | -- | -- | 2,223,124 | 2,223,124 |
| Total revenues | 660,949 | 3,369 | 74,147 | 2,350,420 | 3,088,885 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| General government | -- | 2,027 | 3,323 | 22,000 | 27,350 |
| Public protection | -- | -- | 7,642 | -- | 7,642 |
| Recreation and cultural services | 777,287 | -- | -- | -- | 777,287 |
| Debt Service: | | | | | |
| Principal | -- | 2,315,000 | 2,200,561 | 455,000 | 4,970,561 |
| Interest | 109,492 | 5,679,278 | 2,712,215 | 1,818,263 | 10,319,248 |
| Debt issuance costs | 172,042 | -- | -- | -- | 172,042 |
| Total expenditures | 1,058,821 | 7,996,305 | 4,923,741 | 2,295,263 | 16,274,130 |
| Excess (deficiency) of revenues over (under) expenditures | (397,872) | (7,992,936) | (4,849,594) | 55,157 | (13,185,245) |
| Other Financing Sources (Uses): | | | | | |
| Refunding debt issued | 6,163,324 | -- | -- | -- | 6,163,324 |
| Payment to refunded bond escrow agent | (6,003,398) | -- | -- | -- | (6,003,398) |
| Transfers in | -- | 7,675,141 | 4,867,189 | -- | 12,542,330 |
| Total other financing sources (uses), net | 159,926 | 7,675,141 | 4,867,189 | -- | 12,702,256 |
| Net change in fund balances | (237,946) | (317,795) | 17,595 | 55,157 | (482,989) |
| Fund balances, beginning of year - restated | 794,441 | 5,572,948 | 4,062,964 | 3,662,555 | 14,092,908 |
| Fund balances, end of year | $ 556,495 | $ 5,255,153 | $ 4,080,559 | $ 3,717,712 | $ 13,609,919 |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
Open Space Debt Service Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Charges for services | $ -- | $ -- | $ 660,566 | $ 660,566 |
| From use of money and property | -- | -- | 383 | 383 |
| Total revenues | -- | -- | 660,949 | 660,949 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Recreation and cultural services | | | | |
| Non - Departmental | -- | -- | 777,287 | (777,287) |
| Total general government | -- | -- | 777,287 | (777,287) |
| Debt Service: | | | | |
| Interest | -- | -- | 109,492 | (109,492) |
| Debt issuance costs | -- | -- | 172,042 | (172,042) |
| Total debt service | -- | -- | 281,534 | (281,534) |
| Total expenditures | -- | -- | 1,058,821 | (1,058,821) |
| Deficiency of revenues over expenditures | -- | -- | (397,872) | (397,872) |
| Other Financing Sources (Uses): | | | | |
| Debt issued | -- | -- | 6,163,324 | 6,163,324 |
| Refunding to bond escrow agent | -- | -- | (6,003,398) | (6,003,398) |
| Total other financing sources, net | -- | -- | 159,926 | 159,926 |
| | | -- | | |
| Net change in fund balances | -- | -- | (237,946) | (237,946) |
| Fund balances, beginning of year | 794,441 | 794,441 | 794,441 | -- |
| Fund balances, end of year | $ 794,441 | $ 794,441 | $ 556,495 | $ (237,946) |

**COUNTY OF MARIN**

Budgetary Comparison Schedule
2003 Pension Obligation Bonds
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| From use of money and property | $ 20,000 | $ 20,000 | $ 3,369 | $ (16,631) |
| Total revenues | 20,000 | 20,000 | 3,369 | (16,631) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Non - Departmental | 10,000 | 10,000 | 2,027 | 7,973 |
| Total general government | 10,000 | 10,000 | 2,027 | 7,973 |
| Debt Service: | | | | |
| Principal | 2,315,000 | 2,315,000 | 2,315,000 | -- |
| Interest | 5,679,278 | 5,679,278 | 5,679,278 | -- |
| Total debt service | 7,994,278 | 7,994,278 | 7,994,278 | -- |
| Total expenditures | 8,004,278 | 8,004,278 | 7,996,305 | 7,973 |
| Deficiency of revenues under expenditures | (7,984,278) | (7,984,278) | (7,992,936) | (8,658) |
| Other Financing Sources: | | | | |
| Transfers in | 7,984,278 | 7,984,278 | 7,675,141 | (309,137) |
| Total other financing sources | 7,984,278 | 7,984,278 | 7,675,141 | (309,137) |
| Net change in fund balances | -- | -- | (317,795) | (317,795) |
| Fund balances, beginning of year | 5,572,948 | 5,572,948 | 5,572,948 | -- |
| Fund balances, end of year | $ 5,572,948 | $ 5,572,948 | $ 5,255,153 | $ (317,795) |

## COUNTY OF MARIN

Budgetary Comparison Schedule
Other Debt Service
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| Charges for services | $ 58,200 | $ 58,200 | $ 71,444 | $ 13,244 |
| From use of money and property | -- | -- | 2,703 | 2,703 |
| Total revenues | 58,200 | 58,200 | 74,147 | 15,947 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Non - Departmental | 35,001 | 35,001 | 3,323 | 31,678 |
| Total general government | 35,001 | 35,001 | 3,323 | 31,678 |
| Public protection | | | | |
| Community Development Agency | 10,200 | 10,200 | 7,642 | 2,558 |
| Total public protection | 10,200 | 10,200 | 7,642 | 2,558 |
| Debt Service: | | | | |
| Principal | 2,199,000 | 2,199,000 | 2,200,561 | (1,561) |
| Interest | 2,714,689 | 2,714,689 | 2,712,215 | 2,474 |
| Total debt service | 4,913,689 | 4,913,689 | 4,912,776 | 913 |
| Total expenditures | 4,958,890 | 4,958,890 | 4,923,741 | 35,149 |
| Deficiency of revenues under expenditures | (4,900,690) | (4,900,690) | (4,849,594) | 51,096 |
| Other Financing Sources: | | | | |
| Transfers in | 4,900,690 | 4,900,690 | 4,867,189 | (33,501) |
| Total other financing sources | 4,900,690 | 4,900,690 | 4,867,189 | (33,501) |
| Net change in fund balances | -- | -- | 17,595 | 17,595 |
| Fund balances, beginning of year | 4,062,964 | 4,062,964 | 4,062,964 | -- |
| Fund balances, end of year | $ 4,062,964 | $ 4,062,964 | $ 4,080,559 | $ 17,595 |

# COUNTY OF MARIN

Budgetary Comparison Schedule
Tobacco Securitization
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues:** | | | | |
| From use of money and property | $ 125,000 | $ 125,000 | $ 127,296 | $ 2,296 |
| Miscellaneous | 2,391,000 | 2,391,000 | 2,223,124 | (167,876) |
| Total revenues | 2,516,000 | 2,516,000 | 2,350,420 | (165,580) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | | | | |
| Non - Departmental | 25,000 | 25,000 | 22,000 | 3,000 |
| Total general government | 25,000 | 25,000 | 22,000 | 3,000 |
| Debt Service: | | | | |
| Principal | 600,000 | 600,000 | 455,000 | 145,000 |
| Interest | 1,891,000 | 1,891,000 | 1,818,263 | 72,737 |
| Total debt service | 2,491,000 | 2,491,000 | 2,273,263 | 217,737 |
| Total expenditures | 2,516,000 | 2,516,000 | 2,295,263 | 220,737 |
| Net change in fund balances | -- | -- | 55,157 | 55,157 |
| Fund balances, beginning of year | 3,662,555 | 3,662,555 | 3,662,555 | -- |
| Fund balances, end of year | $ 3,662,555 | $ 3,662,555 | $ 3,717,712 | $ 55,157 |

# NONMAJOR ENTERPRISE FUNDS

This page intentionally left blank

# NONMAJOR ENTERPRISE FUNDS

## ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is to have the costs of providing goods or services (including depreciation and amortization) to the general public on a continuing basis be financed primarily through user charges; or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise Funds should generate revenue sufficient, as a goal, to support the full operating costs of these funds.

### Gnoss Airport

The Gnoss Airport fund is used to account for the general airport operations, office and administrative expenses and the maintenance of airport facilities, including the replacement of exterior lighting fixtures, runway, taxiway and ramp lighting, heating and air conditioning service. Major revenue sources include fuel flow fees, rents, land leases, airport royalties and interest earnings.

### Marin County Fair

The Marin County Fair fund was established to provide for operations of the annual Marin County Fair. It is used to account for both revenues and expenses generated by the annual Marin County Fair.

### Marin.Org

Marin.Org was initially created from the use of grant funds to inform Marin County citizens and visitors of government services provided in the County, as well as a community calendar of events. Once the grant funding was used, the County established Marin.Org as an enterprise fund and began charging a membership fee for both government and business members for their participation in the community calendar of events.

### Marin Commons Property Management

The Marin Commons Property Management enterprise fund was established to account for the property management activities of 1600 Los Gamos Blvd. in San Rafael, the location of the County’s Emergency Operations Facility.

### Marin Center Promotions

The Marin Center Promotions fund was established to account for the revenues and expenses of the performance productions at Marin Veteran’s Memorial Auditorium venue.

This page intentionally left blank

## COUNTY OF MARIN

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014

| | Gnoss Airport | Marin County Fair | Marin Org. | Marin Commons Property Management | Marin Center Promotions | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current Assets: | | | | | | |
| Cash and investments in County pool | $ 370,937 | $ 256,022 | $ 910,655 | $ 68 | $ 58,364 | $ 1,596,046 |
| Cash with a fiscal agent | -- | -- | -- | 894,431 | -- | 894,431 |
| Other receivables | -- | 76,362 | -- | 32,988 | -- | 109,350 |
| Prepaid items | -- | 711,548 | -- | 88,349 | -- | 799,897 |
| Total current assets | 370,937 | 1,043,932 | 910,655 | 1,015,836 | 58,364 | 3,399,724 |
| Noncurrent Assets: | | | | | | |
| Capital assets: | | | | | | |
| Nondepreciable | 3,922,623 | 1,777,659 | -- | -- | -- | 5,700,282 |
| Depreciable, net | 1,914,422 | 811,192 | 100,682 | 8,894 | -- | 2,835,190 |
| Total noncurrent assets | 5,837,045 | 2,588,851 | 100,682 | 8,894 | -- | 8,535,472 |
| **Total assets** | 6,207,982 | 3,632,783 | 1,011,337 | 1,024,730 | 58,364 | 11,935,196 |
| **LIABILITIES** | | | | | | |
| Current Liabilities: | | | | | | |
| Vouchers and accounts payable | $ 30,840 | $ 196,905 | $ 3,510 | $ 171,250 | $ 1,980 | $ 404,485 |
| Interest payable | -- | -- | 7,212 | -- | -- | 7,212 |
| Due to other funds | -- | 922,000 | -- | -- | -- | 922,000 |
| Unearned revenue | -- | 39,426 | -- | -- | -- | 39,426 |
| Accrued salaries and benefits | 5,018 | -- | 7,398 | -- | -- | 12,416 |
| Other liabilities | -- | -- | -- | 243,664 | -- | 243,664 |
| Compensated absences | 15,687 | -- | -- | -- | -- | 15,687 |
| Total current liabilities | 51,545 | 1,158,331 | 18,120 | 414,914 | 1,980 | 1,644,890 |
| Long-Term Liabilities: | | | | | | |
| Compensated absences | 4,368 | -- | -- | -- | -- | 4,368 |
| Total noncurrent liabilities | 4,368 | -- | -- | -- | -- | 4,368 |
| Total liabilities | 55,913 | 1,158,331 | 18,120 | 414,914 | 1,980 | 1,649,258 |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | 5,837,045 | 2,588,851 | 100,682 | 8,894 | -- | 8,535,472 |
| Unrestricted | 315,024 | (114,399) | 892,535 | 600,922 | 56,384 | 1,750,466 |
| Total net position | $ 6,152,069 | $ 2,474,452 | $ 993,217 | $ 609,816 | $ 56,384 | $ 10,285,938 |

## COUNTY OF MARIN

Combining Statement of Revenues, Expenses and
Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2014

| | Gnoss Airport | Marin County Fair | Marin Org. | Marin Commons Property Management | Marin Center Promotions | Total |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Charges for services | $ 650,034 | $ 1,458,004 | $ 1,569,818 | $ 909,736 | $ 561,307 | $ 5,148,899 |
| Other revenue | 10,612 | 76,248 | -- | 3,267 | -- | 90,127 |
| Total operating revenues | 660,646 | 1,534,252 | 1,569,818 | 913,003 | 561,307 | 5,239,026 |
| **Operating Expenses:** | | | | | | |
| Salaries and employee benefits | 187,493 | 366,025 | 186,997 | -- | -- | 740,515 |
| Services and supplies | 382,449 | 1,184,180 | 1,180,949 | 1,396,606 | 602,724 | 4,746,908 |
| Depreciation | 94,950 | 73,745 | 86,335 | 1,046 | -- | 256,076 |
| Total operating expenses | 664,892 | 1,623,950 | 1,454,281 | 1,397,652 | 602,724 | 5,743,499 |
| **Operating Income (Loss)** | (4,246) | (89,698) | 115,537 | (484,649) | (41,417) | (504,473) |
| **Non-Operating Revenues:** | | | | | | |
| Intergovernmental revenue | 58,614 | 76,362 | -- | -- | -- | 134,976 |
| Investment income - unrestricted | 395 | 287,444 | 894 | 413 | 1,464 | 290,610 |
| Total non-operating revenues | 59,009 | 363,806 | 894 | 413 | 1,464 | 425,586 |
| **Income (Loss) Before Transfers:** | 54,763 | 274,108 | 116,431 | (484,236) | (39,953) | (78,887) |
| Transfers in | -- | -- | -- | 50,000 | -- | 50,000 |
| Transfers out | (4,010) | -- | (5,833) | -- | -- | (9,843) |
| **Change in net position** | 50,753 | 274,108 | 110,598 | (434,236) | (39,953) | (38,730) |
| Net position, beginning of year - restated | 6,101,316 | 2,200,344 | 882,619 | 1,044,052 | 96,337 | 10,324,668 |
| Net position, end of year | $ 6,152,069 | $ 2,474,452 | $ 993,217 | $ 609,816 | $ 56,384 | $ 10,285,938 |

## COUNTY OF MARIN

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2014

| | Gnoss Airport | Marin County Fair | Marin. Org. |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Cash receipts from customers | $ 688,353 | $ 785,768 | $ 1,566,681 |
| Cash paid to suppliers for goods and services | (356,163) | (1,453,982) | (1,179,791) |
| Cash paid to employees for salaries and benefits | (183,741) | (366,025) | (187,668) |
| Net cash provided (used) by operating activities | 148,449 | (1,034,239) | 199,222 |
| **Cash Flows from Noncapital Financing Activities** | | | |
| Intergovernmental revenues | 58,614 | 76,362 | -- |
| Transfers in | -- | -- | -- |
| Transfers out | (4,010) | -- | (5,833) |
| Interfund loans | -- | 922,000 | -- |
| Internal activities - payment to other funds | -- | -- | -- |
| Net cash provided (used) by noncapital financing activities | 54,604 | 998,362 | (5,833) |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Payments related to the acquisition of capital assets | (147,063) | -- | -- |
| Net cash used by capital and related financing activities | (147,063) | -- | -- |
| **Cash Flows from Investing Activity** | | | |
| Interest and investments earnings received | 395 | 287,444 | 894 |
| Net increase in cash and cash equivalents | 56,385 | 251,567 | 194,283 |
| Cash and cash equivalents, beginning of year | 314,552 | 4,455 | 716,372 |
| Cash and cash equivalents, end of year | $ 370,937 | $ 256,022 | $ 910,655 |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | |
| Operating income (loss) | $ (4,246) | $ (89,698) | $ 115,537 |
| Depreciation | 94,950 | 73,744 | 86,335 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Accounts receivable | 27,707 | (76,362) | (3,137) |
| Prepaid items and other assets | -- | (711,548) | -- |
| Increase (decrease) in: | | | |
| Accounts payable | 26,286 | (269,801) | 1,158 |
| Salaries payable | (1,038) | -- | (671) |
| Unearned revenue | -- | 39,426 | -- |
| Other liabilities | -- | -- | -- |
| Liability for compensated absences | 4,790 | -- | -- |
| **Net Cash Provided (Used) by Operating Activities** | $ 148,449 | $ (1,034,239) | $ 199,222 |

continued

## COUNTY OF MARIN

Combining Statement of Cash Flows (continued)
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2014

| | Marin Commons Property Manalement | Marin Center Promotions | Total |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Cash receipts from customers | $ 875,333 | $ 561,307 | $ 4,477,442 |
| Cash paid to suppliers for goods and services | (1,405,396) | (602,724) | (4,998,056) |
| Cash paid to employees for salaries and benefits | -- | -- | (737,434) |
| Net cash used by operating activities | (530,063) | (41,417) | (1,258,048) |
| **Cash Flows from Noncapital Financing Activities** | | | |
| Intergovernmental revenues | -- | -- | 134,976 |
| Transfers in | 50,000 | -- | 50,000 |
| Transfers out | -- | -- | (9,843) |
| Interfund loans | -- | -- | 922,000 |
| Internal activities - payment to other funds | 50,000 | -- | 50,000 |
| Net cash provided by noncapital financing activities | 100,000 | -- | 1,147,133 |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Payments related to the acquisition of capital assets | -- | -- | (147,063) |
| Net cash used by capital and related financing activities | -- | -- | (147,063) |
| **Cash Flows from Investing Activity** | | | |
| Interest and investments earnings received | 413 | 1,464 | 290,610 |
| Net increase (decrease) in cash and cash equivalents | (429,650) | (39,953) | 32,632 |
| Cash and cash equivalents, beginning of year | 1,324,149 | 98,317 | 2,457,845 |
| Cash and cash equivalents, end of year | $ 894,499 | $ 58,364 | $ 2,490,477 |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | |
| Operating income (loss) | $ (484,649) | $ (41,417) | $ (504,473) |
| Depreciation | 1,047 | -- | 256,076 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Accounts receivable | (967) | -- | (52,759) |
| Prepaid items and other assets | (88,349) | -- | (799,897) |
| Increase (decrease) in: | | | |
| Accounts payable | (8,790) | -- | (251,147) |
| Salaries payable | -- | -- | (1,709) |
| Unearned revenue | -- | -- | 39,426 |
| Other liabilities | 51,645 | -- | 51,645 |
| Liability for compensated absences | -- | -- | 4,790 |
| **Net Cash Provided (Used) by Operating Activities** | $ (530,063) | $ (41,417) | $ (1,258,048) |

# FIDUCIARY FUNDS

This page intentionally left blank

# FIDUCIARY FUNDS

## INVESTMENT TRUST FUNDS

These funds are used by the County to account for the assets of legally separate entities who deposit cash with the County Treasurer. These include school and community college districts, other special districts governed by local boards, regional boards and authorities, courts and pass-through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

### School Districts

The school districts are legally separate primary governmental units. The financial reporting for these governmental entities, which are independent of the County of Marin, is limited to the total amount of cash and investments and the related fiduciary responsibilities of the County for disbursement of these assets. Activities of the school districts are administered by boards which are separately elected and which are independent of the County Board of Supervisors and have been excluded from the County's basic financial statements.

### Special Districts

The special districts are legally separate primary governmental units. The financial reporting for these governmental entities, which are independent of the County of Marin, is limited to the total amount of cash and investments and the related fiduciary responsibilities of the County for disbursement of these assets. Activities of the local board governed districts are administered by boards which are separately elected and which are independent of the County Board of Supervisors and have been excluded from the County's basic financial statements.

## AGENCY FUNDS

Agency funds account for assets held by the County as an agent for various local governments and individuals in a custodial capacity.

## PRIVATE PURPOSE TRUST FUNDS

These funds are utilized to account for various assets held in trust for others.

This page intentionally left blank

## COUNTY OF MARIN

Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2014

| | Special Districts | School Districts | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments | $ 103,917,238 | $ 283,176,543 | $ 387,093,781 |
| Total assets | 103,917,238 | 283,176,543 | 387,093,781 |
| **NET POSITION** | | | |
| Net position held in trust for investment pool participants | 103,917,238 | 283,176,543 | 387,093,781 |
| Total net position | $ 103,917,238 | $ 283,176,543 | $ 387,093,781 |

# COUNTY OF MARIN

Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2014

| | Special Districts | School Districts | Total |
|---|---|---|---|
| **Additions:** | | | |
| Contributions to investment pool | $ 371,967,538 | $ 651,342,995 | $ 1,023,310,533 |
| Interest | 298,948 | 322,095 | 621,043 |
| Total additions | 372,266,486 | 651,665,090 | 1,023,931,576 |
| **Deductions:** | | | |
| Distributions from investment pool | 390,810,646 | 700,223,273 | 1,091,033,919 |
| Total deductions | 390,810,646 | 700,223,273 | 1,091,033,919 |
| Change in net position | (18,544,160) | (48,558,183) | (67,102,343) |
| **Net position, beginning of the year** | 122,461,398 | 331,734,726 | 454,196,124 |
| **Net position, ending of the year** | **$ 103,917,238** | **$ 283,176,543** | **$ 387,093,781** |

**COUNTY OF MARIN**

Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

| | Balance July 1, 2013 | Additions | Deductions | Balance June 30, 2014 |
|---|---|---|---|---|
| **MCRDA Marin City Mello-Roos** | | | | |
| Assets | | | | |
| Cash | $ 37,718 | $ -- | $ -- | $ 37,718 |
| Cash with fiscal agent | 1,080,040 | -- | -- | 1,080,040 |
| Total Assets | 1,117,758 | -- | -- | 1,117,758 |
| Liabilities | | | | |
| Agency funds held for others | 1,117,758 | -- | -- | 1,117,758 |
| Total Liabilities | 1,117,758 | -- | -- | 1,117,758 |
| **County Agency Funds** | | | | |
| Assets | | | | |
| Cash | 41,360,207 | 6,090,611,741 | 6,093,941,996 | 38,029,952 |
| Taxes receivable | 19,698,846 | 811,983,053 | 812,429,638 | 19,252,261 |
| Other receivable | 320,649 | 4,510,170 | 4,186,043 | 644,776 |
| Prepaid items | -- | 1,008,665 | -- | 1,008,665 |
| Total Assets | 61,379,702 | 6,908,113,629 | 6,910,557,677 | 58,935,654 |
| Liabilities | | | | |
| Agency funds held for others | 61,379,702 | 6,908,113,629 | 6,910,557,677 | 58,935,654 |
| Total Liabilities | $ 61,379,702 | $ 6,908,113,629 | $ 6,910,557,677 | $ 58,935,654 |
| **Agency Funds combined** | | | | |
| Assets | | | | |
| Cash | $ 41,397,925 | $ 6,090,611,741 | $ 6,093,941,996 | $ 38,067,670 |
| Cash with fiscal agent | 1,080,040 | -- | -- | 1,080,040 |
| Taxes receivable | 19,698,846 | 811,983,053 | 812,429,638 | 19,252,261 |
| Other receivable | 320,649 | 4,510,170 | 4,186,043 | 644,776 |
| Prepaid items | -- | 1,008,665 | -- | 1,008,665 |
| Total Assets | 62,497,460 | 6,908,113,629 | 6,910,557,677 | 60,053,412 |
| Liabilities | | | | |
| Agency funds held for others | 62,497,460 | 6,908,113,629 | 6,910,557,677 | 60,053,412 |
| Total Liabilities | $ 62,497,460 | $ 6,908,113,629 | $ 6,910,557,677 | $ 60,053,412 |

# COUNTY OF MARIN

Statement of Net Position
Private-Purpose Trust Funds
June 30, 2014

| | Successor Agency - Marin County Redevelopment Agency | Marin City CSD Trust Fund |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and investments | $ 1,200,789 | $ 565,839 |
| Cash with fiscal agent | 64,775 | -- |
| Accounts receivable | 47,250 | -- |
| Note recievables | 110,000 | -- |
| Capital Assets: | | |
| Nondepreciable | 30,014 | -- |
| **Total assets** | 1,452,828 | 565,839 |
| **LIABILITIES** | | |
| Accounts payable | 182,935 | -- |
| Accrued interest payable | 174,604 | -- |
| Other liabilities | -- | 564,932 |
| Noncurrent Liabilities: | | |
| Due within one year | 480,000 | -- |
| Due in more than one year | 9,040,000 | -- |
| **Total liabilities** | 9,877,539 | 564,932 |
| **NET POSITION (DEFICIT)** | | |
| Net position held in trust | (8,424,711) | 907 |
| **Total net position (deficit)** | $ (8,424,711) | $ 907 |

**COUNTY OF MARIN**

Statement of Changes in Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2014

| | Successor Agency - Marin County Redevelopment Agency | Marin City CSD Trust Fund |
|---|---|---|
| **Additions:** | | |
| Property tax revenue | $ 1,305,166 | $ -- |
| Interest | 99 | 791 |
| Agency receipts | 21,833 | 82 |
| Total additions | 1,327,098 | 873 |
| **Deductions:** | | |
| Administrative and other | 623,834 | -- |
| Interest expense | 527,594 | -- |
| Total deductions | 1,151,428 | -- |
| Change in net position | 175,670 | 873 |
| **Net position (deficit), beginning of the year** | (8,600,381) | 34 |
| **Net position (deficit), ending of the year** | $ (8,424,711) | $ 907 |

This page intentionally left blank

# STATISTICAL SECTION

## Statistical Section

This part of the 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 County's overall financial health.

CONTENTS

## COUNTY OF MARIN

### Government-wide Net Position by Component
### Last Ten Fiscal Years
### (accrual basis of accounting)

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets [1] | $ 1,361,328,015 | $ 1,353,606,333 | $ 1,366,596,633 | $ 1,339,735,080 | $ 1,340,606,232 | $ 1,323,738,129 | $ 1,311,853,403 | $ 1,276,774,561 | $ 1,273,344,540 | $ 1,302,696,113 |
| Restricted | 105,940,775 | 95,461,868 | 106,455,016 | 90,025,545 | 96,059,870 | 104,933,566 | 173,980,351 | 2,861,133 | 164,729,907 | 180,676,987 |
| Unrestricted | (45,913,888) | 102,481,396 | 106,421,484 | 120,604,017 | 77,080,634 | 78,853,651 | 11,266,738 | 48,905,187 | 19,059,115 | 6,281,718 |
| Total governmental activities net position | $ 1,421,354,902 | $ 1,551,549,597 | $ 1,579,473,133 | $ 1,550,364,642 | $ 1,513,746,736 | $ 1,507,525,346 | $ 1,497,100,492 | $ 1,328,540,881 | $ 1,457,133,562 | $ 1,489,654,818 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets [1] | $ 6,479,735 | $ 7,945,295 | $ 26,603,775 | $ 26,484,886 | $ 27,414,256 | $ 28,492,170 | $ 28,317,111 | $ 30,730,037 | $ 32,934,675 | $ 32,713,894 |
| Restricted | 0 | 0 | 5,504,054 | 8,346,472 | 9,883,350 | 8,565,480 | 9,403,055 | 9,071,725 | 7,343,795 | 6,793,821 |
| Unrestricted | 1,133,630 | 1,298,644 | 8,661,640 | 12,108,240 | 14,933,495 | 12,796,903 | 13,712,010 | 7,942,516 | 11,751,468 | 13,722,499 |
| Total business-type activities net position | $ 7,613,365 | $ 9,243,939 | $ 40,769,469 | $ 46,939,598 | $ 52,231,101 | $ 49,854,553 | $ 51,432,176 | $ 47,744,278 | $ 52,029,938 | $ 53,230,214 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets [1] | $ 1,367,807,750 | $ 1,361,551,628 | $ 1,393,200,408 | $ 1,366,219,966 | $ 1,368,020,488 | $ 1,352,230,299 | $ 1,340,170,514 | $ 1,307,504,598 | $ 1,306,279,215 | $ 1,335,410,007 |
| Restricted | 105,940,775 | 95,461,868 | 111,959,070 | 98,372,017 | 105,943,220 | 113,499,046 | 183,383,406 | 11,932,858 | 172,073,702 | 187,470,808 |
| Unrestricted | (44,780,258) | 103,780,040 | 115,083,124 | 132,712,257 | 92,014,129 | 91,650,554 | 24,978,748 | 56,847,703 | 30,810,583 | 20,004,217 |
| Total primary government net position2 | $ 1,428,968,267 | $ 1,560,793,536 | $ 1,620,242,602 | $ 1,597,304,240 | $ 1,565,977,837 | $ 1,557,379,899 | $ 1,548,532,668 | $ 1,376,285,159 | $ 1,509,163,500 | $ 1,542,885,032 |
| Percent of increase (decrease) in primary government net position | 2.91% | 9.23% | 3.81% | -1.42% | -1.96% | -0.55% | -0.57% | -11.12% | 9.65% | 2.23% |

Notes:

[1] Capital assets include land, land improvement, easements, construction in progress, structures and improvements, equipment, infrastructure, and other property.

[2] Accounting standards require that net position be reported in three components in the government-wide financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted only when an external party, such as the state or federal government, places a restriction on how the resources may be used, or through enabling legislation enacted by the County.

Source: Comprehensive Annual Financial Reports - County of Marin, California

## Changes in Net Position
### Last Ten Fiscal Years
### (accrual basis of accounting)

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|---|---|---|---|---|---|
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General government | $ 69,162,557 | $ 106,491,393 | $ 89,662,322 | $ 95,010,097 | $ 78,944,173 | $ 71,617,475 | $ 78,174,626 | $ 77,172,865 | $ 121,258,708 | $ 84,027,170 |
| Public protection | 121,678,566 | 153,128,925 | 128,292,008 | 159,494,067 | 169,921,297 | 169,011,775 | 160,691,198 | 158,129,592 | 156,064,850 | 156,154,574 |
| Public ways and facilities | 15,768,290 | 17,253,370 | 36,194,234 | 41,518,385 | 40,003,824 | 35,134,260 | 33,946,789 | 26,208,192 | 32,538,571 | 44,560,810 |
| Health and sanitation | 81,599,867 | 105,809,981 | 86,269,400 | 97,826,891 | 96,157,874 | 94,895,462 | 87,682,812 | 89,241,808 | 90,853,837 | 89,232,186 |
| Public assistance | 51,926,504 | 53,549,563 | 53,747,450 | 61,789,547 | 64,310,157 | 73,137,027 | 73,445,107 | 68,793,982 | 63,600,190 | 68,703,203 |
| Education | 9,840,596 | 10,525,176 | 12,685,835 | 13,346,183 | 13,376,491 | 13,025,776 | 13,415,872 | 13,348,168 | 15,521,694 | 15,811,986 |
| Recreational and cultural services | 8,091,660 | 9,106,603 | 14,395,195 | 17,274,181 | 17,060,038 | 15,941,380 | 16,854,659 | 16,191,066 | 17,139,646 | 25,554,382 |
| Debt service: | | | | | | | | | | |
| Interest and fiscal charges | 9,698,538 | 10,713,008 | 8,816,207 | 12,155,613 | 11,312,313 | 11,190,274 | 11,751,268 | 12,017,811 | 10,936,573 | 10,512,668 |
| Total governmental activities expense | 367,766,578 | 466,578,019 | 430,062,651 | 498,414,964 | 491,086,167 | 483,953,429 | 475,962,331 | 461,103,484 | 507,914,069 | 494,556,979 |
| Business-type activities | | | | | | | | | | |
| Housing authority | 804,556 | 557,785 | 33,441,426 | 33,585,123 | 36,119,347 | 36,591,718 | 39,403,887 | 41,825,266 | 39,919,898 | 39,280,670 |
| Other business-type activities | 1,544,819 | 1,706,708 | 27,634,512 | 27,413,673 | 30,357,102 | 31,891,178 | 32,205,334 | 32,475,679 | 30,287,766 | 32,758,672 |
| Total business-type activities expenses | 2,349,375 | 2,264,493 | 61,075,938 | 60,998,796 | 66,476,449 | 68,482,896 | 71,609,221 | 74,300,945 | 70,207,664 | 72,039,342 |
| Total primary government expenses | $ 370,115,953 | $ 468,842,512 | $ 491,138,589 | $ 559,413,760 | $ 557,562,616 | $ 552,436,325 | $ 547,571,552 | $ 535,404,429 | $ 578,121,733 | $ 566,596,321 |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | $ 15,749,638 | $ 14,530,721 | $ 27,098,290 | $ 29,213,708 | $ 29,853,998 | $ 24,023,409 | $ 28,148,514 | $ 25,973,978 | $ 24,598,118 | $ 15,154,492 |
| Public protection | 13,666,453 | 15,379,202 | 23,839,244 | 28,126,901 | 31,585,415 | 38,555,176 | 38,912,554 | 36,397,954 | 37,629,406 | 50,836,345 |
| Other activities | 6,106,578 | 6,197,439 | 10,642,233 | 11,772,651 | 11,220,698 | 15,028,100 | 15,681,773 | 18,715,086 | 19,186,522 | 20,479,315 |
| Operating grants and contributions | 188,916,073 | 200,849,076 | 179,763,216 | 178,914,115 | 165,629,111 | 172,043,483 | 167,332,764 | 169,407,784 | 176,334,689 | 185,429,959 |
| Capital grants and contributions | - | - | - | - | 10,764,586 | 21,165,980 | 15,331,128 | 2,134,985 | 5,789,750 | 1,881,829 |
| Total governmental activities program revenues | 224,438,742 | 236,956,438 | 241,342,983 | 248,027,375 | 249,053,808 | 270,816,148 | 265,406,733 | 252,629,787 | 263,538,485 | 273,781,940 |
| Business-type activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Housing authority | 573,632 | 581,770 | 2,492,476 | 2,804,727 | 3,880,406 | 2,960,138 | 4,359,716 | 1,804,211 | 1,557,962 | 2,231,254 |
| Other business-type activities | 1,661,001 | 1,640,641 | 12,020,341 | 11,754,323 | 12,705,975 | 12,119,158 | 13,710,708 | 11,074,217 | 11,194,640 | 10,806,818 |
| Operating grants and contributions | - | - | 44,180,894 | 47,461,190 | 48,705,910 | 45,471,438 | 50,103,335 | 49,918,083 | 50,579,746 | 53,957,004 |
| Capital grants and contributions | 346,708 | 1,652,309 | 1,085,801 | 548,994 | 13,659,585 | 2,138,810 | 1,628,485 | 3,603,727 | 4,358,421 | 2,010,153 |
| Total business-type activities program revenues | 2,581,341 | 3,874,720 | 59,779,512 | 62,569,234 | 78,951,876 | 62,689,544 | 69,802,244 | 66,400,238 | 67,690,769 | 69,005,229 |
| Total primary government program revenues | $ 227,020,083 | $ 240,831,158 | $ 301,122,495 | $ 310,596,609 | $ 328,005,684 | $ 333,505,692 | $ 335,208,977 | $ 319,030,025 | $ 331,229,254 | $ 342,787,169 |
| Net (Expense)/Revenue [1] | | | | | | | | | | |
| Governmental activities | $ (143,327,836) | $ (229,621,581) | $ (188,719,668) | $ (250,387,589) | $ (242,032,359) | $ (213,137,281) | $ (210,555,598) | $ 208,473,697 | $ (244,375,584) | $ (220,775,039) |
| Business-type activities | 231,966 | 1,610,227 | (1,296,426) | 1,570,438 | 1,710,841 | (5,793,352) | (1,806,977) | 7,900,707 | (2,516,895) | (3,034,113) |
| Total primary government net expense | $ (143,095,870) | $ (228,011,354) | $ (190,016,094) | $ (248,817,151) | $ (240,321,518) | $ (218,930,633) | $ (212,362,575) | $ 216,374,404 | $ (246,892,479) | $ (223,809,152) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | $ 96,073,467 | $ 129,167,317 | $ 165,848,803 | $ 195,047,145 | $ 183,657,725 | $ 189,146,127 | $ 181,655,215 | $ 183,586,166 | $ 179,525,969 | $ 198,608,631 |
| Sales and use taxes | 2,610,033 | 2,204,765 | 2,980,581 | 2,920,483 | 2,627,825 | 2,617,299 | 3,843,242 | 3,784,814 | 3,881,496 | 18,483,800 |
| Other | 36,675,385 | 10,221,974 | 9,830,520 | 8,438,480 | 3,952,498 | 3,912,590 | 3,595,633 | 4,398,288 | 6,380,276 | 6,731,789 |
| Unrestricted interest and investment earnings | 8,084,787 | 12,126,671 | 14,711,655 | 13,928,177 | 9,082,873 | 6,053,144 | 4,785,362 | 2,956,134 | 2,988,564 | 3,789,580 |
| Miscellaneous | 40,099,801 | 83,885,177 | 14,525,509 | 3,538,084 | 2,962,336 | 2,561,688 | 2,036,152 | 3,389,105 | 5,496,912 | 2,223,124 |
| Tobacco Settlement | - | - | 2,545,345 | 2,856,389 | 3,131,196 | 2,632,091 | 2,199,785 | 2,243,241 | 3,410,665 | 1,347,052 |
| Transfers | - | - | - | - | - | (7,048) | 86,461 | 19,615 | (50,000) | (30,337) |
| Total governmental activities | 183,543,473 | 237,605,904 | 210,442,413 | 226,728,758 | 205,414,453 | 206,915,891 | 198,201,850 | 200,377,363 | 201,633,882 | 231,153,639 |
| Business-type activities | | | | | | | | | | |
| Taxes | - | - | 2,906,523 | 3,233,545 | 3,225,852 | 3,258,947 | 3,141,177 | 3,168,788 | 3,229,758 | 3,447,835 |
| Investment earnings | 10,034 | 20,347 | 534,171 | 382,508 | 803,328 | 150,809 | 40,958 | 289,122 | 616,378 | 300,903 |
| Gain on sale of capital assets | - | - | - | - | - | - | - | - | - | 143,249 |
| Related party contribution | - | - | - | - | - | - | - | 400,000 | - | - |
| Miscellaneous | - | - | - | 510,973 | 64,679 | - | - | 2,763,769 | 2,531,026 | 434,643 |
| Transfers | - | - | - | - | - | 7,048 | (86,461) | (19,615) | 50,000 | 30,337 |
| Total business-type activities | 10,034 | 20,347 | 3,440,694 | 4,127,026 | 4,093,859 | 3,416,804 | 3,095,674 | 6,602,064 | 6,427,162 | 4,356,967 |
| Total primary government | $ 183,553,507 | $ 237,626,251 | $ 213,883,107 | $ 230,855,784 | $ 209,508,312 | $ 210,332,695 | $ 201,297,524 | $ 206,979,427 | $ 208,061,044 | $ 235,510,606 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | $ 40,215,637 | $ 7,984,323 | $ 21,722,745 | $ (23,658,831) | $ (36,617,906) | $ (6,221,390) | $ (12,353,748) | $ (8,096,334) | $ (42,720,952) | $ 10,378,600 |
| Business-type activities | 242,000 | 1,630,574 | 2,144,268 | 5,697,464 | 5,804,700 | (2,376,548) | 1,288,697 | (1,298,643) | 3,910,267 | 1,322,854 |
| Total primary government | $ 40,457,637 | $ 9,614,897 | $ 23,867,013 | $ (17,961,367) | $ (30,813,206) | $ (8,597,938) | $ (11,065,051) | $ (9,394,977) | $ (38,810,685) | $ 11,701,454 |

Notes:
[1] Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program supports itself with its own fees and grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses are net expenses, indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, indicating program revenues were greater than expenses.

Source: Comprehensive Annual Financial Reports - County of Marin, California



continued

**COUNTY OF MARIN**

**Fund Balances, Governmental Funds**
**Last Ten Fiscal Years**
**(modified accrual basis of accounting)**
**(in thousands)**

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 [2] | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | | | | | | | | | | |
| Reserved | $ 62,111 | $ 46,361 | $ 18,454 | $ 16,378 | $ 28,289 | $ 32,956 | | | | |
| Unreserved | 88,686 | 162,990 | 125,326 | 142,742 | 143,216 | 156,096 | | | | |
| Total general fund | $ 150,797 | $ 209,351 | $ 143,780 | $ 159,120 | $ 171,505 | $ 189,052 | | | | |
| Capital Projects Fund | | | | | | | | | | |
| Reserved | $ 1,500 | $ 3,429 | $ 9,178 | $ 5,155 | $ - | $ - | | | | |
| Unreserved | 39,334 | 22,121 | 51,384 | 33,334 | - | - | | | | |
| Total capital projects fund | $ 40,834 | $ 25,550 | $ 60,562 | $ 38,489 | $ - | $ - | | | | |
| Flood Control Zones | | | | | | | | | | |
| Reserved | $ - | $ - | $ - | $ - | $ 2,225 | $ 866 | | | | |
| Unreserved | - | - | - | - | 11,828 | 15,446 | | | | |
| Total flood control zones | $ - | $ - | $ - | $ - | $ 14,053 | $ 16,312 | | | | |
| All Other Governmental Funds [1] | | | | | | | | | | |
| Reserved | $ 791 | $ 1,094 | $ 11,627 | $ 11,469 | $ 14,479 | $ 14,547 | | | | |
| Unreserved, reported in | 34,173 | 36,864 | 78,178 | 85,570 | 4,485 | - | | | | |
| Special revenue funds | - | - | - | - | 61,455 | 76,563 | | | | |
| Capital projects funds | - | - | - | - | 11,865 | 15,968 | | | | |
| Debt service funds | - | - | - | - | 11,699 | 12,209 | | | | |
| Total all other governmental funds | $ 34,964 | $ 37,958 | $ 89,805 | $ 97,039 | $ 103,983 | $ 119,287 | | | | |
| General Fund | | | | | | | | | | |
| Nonspendable | | | | | | | $ 1,765 | $ 3,939,117 | $ 4,719,830 | $ 4,137,997 |
| Restricted | | | | | | | 10,097 | 12,093,012 | 10,740,177 | 17,650,224 |
| Committed | | | | | | | 118,593 | 114,628,535 | 68,600,588 | 77,384,472 |
| Assigned | | | | | | | 48,097 | 44,626,225 | 37,094,588 | 36,770,748 |
| Unassigned | | | | | | | 14,837 | 6,588,685 | 4,176,408 | 3,896,463 |
| Total general fund | | | | | | | $ 193,389 | $ 181,875,574 | $ 125,331,591 | $ 139,839,904 |
| Other Major Special Revenue Funds | | | | | | | | | | |
| Nonspendable | | | | | | | $ - | $ - | $ 13,276 | |
| Restricted | | | | | | | 1,637 | 30,353,031 | 18,747,903 | |
| Assigned | | | | | | | - | - | 11,202,104 | |
| Total miscellaneous special revenue fund | | | | | | | $ 1,637 | $ 30,353,031 | $ 29,963,283 | |
| Miscellaneous Capital Projects Fund | | | | | | | | | | |
| Nonspendable | | | | | | | $ - | $ 1,000,000 | $ 1,000,000 | |
| Restricted | | | | | | | 39,282 | 39,669,936 | 24,629,572 | |
| Committed | | | | | | | - | 4,700 | - | |
| Assigned | | | | | | | 19,684 | 18,795,613 | 37,445,829 | |
| Total miscellaneous capital projects fund | | | | | | | $ 58,966 | $ 59,470,249 | $ 63,075,401 | |
| All Other Governmental Funds [1] | | | | | | | | | | |
| Nonspendable | | | | | | | $ 6,327 | $ 6,273,145 | $ 112,376 | $ 106,351 |
| Restricted | | | | | | | 114,873 | 91,926,263 | 110,612,255 | 163,026,763 |
| Committed | | | | | | | 1,164 | 2,459,990 | 500,000 | 525,092 |
| Assigned | | | | | | | 20,708 | 22,975,609 | 14,130,484 | 42,997,468 |
| Total all other governmental funds | | | | | | | $ 143,072 | $ 123,635,007 | $ 125,355,115 | $ 206,655,674 |

Notes:
[1] Governmental funds include general fund, special revenue funds, debt service funds, and capital project funds.

[2] GASB Statement No. 54, which became effective in fiscal year 2010-11, requires that fund balance be categorized on a prospective basis as either: nonspendable, restricted, committed, assigned, or unassigned.

Source: Comprehensive Annual Financial Reports - County of Marin, California

**COUNTY OF MARIN**

**Changes in Fund Balance, Governmental Funds**
**Last Ten Fiscal Years**
**(modified accrual basis of accounting)**
**(in thousands)**

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | | |
| Taxes | $ 135,359 | $ 141,594 | $ 177,646 | $ 206,032 | $ 190,740 | $ 195,676 | $ 189,886 | $ 192,014 | $ 189,788 | $ 223,824 |
| Licenses, fees and permits | 9,037 | 9,631 | 8,921 | 9,272 | 9,280 | 10,385 | 11,395 | 12,884 | 13,655 | 15,620 |
| Fines, forfeits and penalties | 9,276 | 8,861 | 8,177 | 7,566 | 176,194 | 188,421 | 13,768 | 12,217 | 182,124 | 187,312 |
| Use of money and property | 7,822 | 11,555 | 14,712 | 13,928 | 54,587 | 56,828 | 4,785 | 2,956 | 56,322 | 60,471 |
| Aid from other governments | 188,916 | 200,849 | 170,387 | 188,291 | 9,559 | 12,695 | 182,664 | 171,543 | 11,505 | 10,437 |
| Charges for services | 16,266 | 17,616 | 41,554 | 52,907 | 9,083 | 6,053 | 58,234 | 55,986 | 2,989 | 3,315 |
| Miscellaneous | 40,100 | 83,885 | 17,050 | 6,394 | 6,093 | 4,726 | 4,181 | 5,632 | 8,908 | 3,539 |
| Total revenues | 406,776 | 473,991 | 438,447 | 484,390 | 455,536 | 474,784 | 464,913 | 453,232 | 465,291 | 504,518 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 63,276 | 99,450 | 84,264 | 83,507 | 62,051 | 54,432 | 59,576 | 60,063 | 113,846 | 71,713 |
| Public protection | 121,202 | 149,988 | 125,217 | 145,944 | 153,674 | 155,404 | 154,993 | 147,075 | 153,065 | 162,849 |
| Public ways and facilities | 6,111 | 7,937 | 26,947 | 29,552 | 27,787 | 24,321 | 23,885 | 16,038 | 22,797 | 34,294 |
| Health and sanitation | 81,457 | 104,075 | 85,683 | 93,272 | 90,416 | 91,008 | 85,285 | 85,864 | 90,784 | 88,476 |
| Public assistance | 51,892 | 52,128 | 53,709 | 57,190 | 59,671 | 68,972 | 67,638 | 65,988 | 63,496 | 67,607 |
| Education | 9,734 | 10,161 | 12,689 | 12,276 | 12,589 | 12,136 | 12,898 | 12,677 | 15,542 | 14,600 |
| Recreational and cultural studies | 7,768 | 8,329 | 13,830 | 15,411 | 15,116 | 14,722 | 15,869 | 15,105 | 16,866 | 21,899 |
| Capital outlay | 4,812 | 4,712 | 29,087 | 28,837 | 25,312 | 4,550 | 5,575 | 37,594 | 18,257 | 42,901 |
| Debt service: | | | | | | | | | | |
| Principal | 3,754 | 3,901 | 3,893 | 4,243 | 4,657 | 4,744 | 5,259 | 5,130 | 7,548 | 5,215 |
| Interest | 10,896 | 10,732 | 8,496 | 10,313 | 10,227 | 10,162 | 10,590 | 11,261 | 11,103 | 10,419 |
| Bond issuance costs | - | - | - | - | - | - | 1,062 | - | - | 172 |
| Administration and arbitrage fees | - | - | 628 | - | - | - | - | - | - | - |
| Total expenditures | 360,902 | 451,413 | 444,443 | 480,545 | 461,500 | 440,451 | 442,630 | 456,795 | 513,304 | 520,145 |
| Excess of revenue over (under) expenditures | 45,874 | 22,578 | (5,996) | 3,845 | (5,964) | 34,333 | 22,283 | (3,563) | (48,013) | (15,627) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Inception of capital lease | - | 974 | - | - | - | 96 | 1,689 | - | - | - |
| Sale of capital assets | - | - | 20 | 5 | - | - | - | 1,989 | 6 | - |
| Debt refunding to escrow agent | - | - | (32,767) | - | - | - | (17,465) | - | - | - |
| Proceeds from borrowing | - | - | 48,937 | - | 858 | 682 | 63,885 | 1,980 | 124 | 6,413 |
| Payment refunded to escrow agent | - | - | - | - | - | - | - | - | - | (6,003) |
| Transfers in | 19,010 | 35,698 | 78,075 | 41,235 | 21,824 | 33,776 | 136,668 | 114,039 | 110,017 | 100,196 |
| Transfers out | (19,010) | (35,698) | (78,075) | (41,235) | (21,824) | (33,778) | (136,577) | (114,014) | (113,713) | (96,575) |
| Total other financing sources (uses), net | - | 974 | 16,190 | 5 | 858 | 776 | 48,200 | 3,994 | (3,566) | 4,032 |
| Net change in fund balances before extraordinary/special items | 45,874 | 23,552 | 10,194 | 3,850 | (5,106) | 35,109 | 70,483 | 431 | (51,579) | (11,595) |
| Extraordinary item/special item: | | | | | | | | | | |
| RDA dissolution | - | - | - | - | - | - | - | (600) | - | - |
| Special item | - | - | - | - | - | - | - | - | 21 | - |
| Net change in fund balances | $ 45,874 | $ 23,552 | $ 10,194 | $ 3,850 | $ (5,106) | $ 35,109 | $ 70,483 | $ (169) | $ (51,558) | $ (11,595) |
| Debt service as a percentage of noncapital expenditures | 4.11% | 3.28% | 2.98% | 3.22% | 3.41% | 3.42% | 3.63% | 3.91% | 3.77% | 3.28% |

Source: Comprehensive Annual Financial Reports - County of Marin, California

**COUNTY OF MARIN**

**Assessed Valuation of Taxable Property**
**Last Ten Fiscal Years**
**(in thousands)**

| Fiscal Year | Secured[1] | Unsecured[2] | Exempt[3] | Total Taxable Assessed Value | Total Direct Tax Rate |
|---|---|---|---|---|---|
| 2004-05 | 41,305,379 | 1,455,846 | 1,397,808 | 41,363,417 | 1.00% |
| 2005-06 | 45,027,710 | 1,475,509 | 1,480,652 | 45,022,567 | 1.00% |
| 2006-07 | 49,034,110 | 1,429,601 | 1,591,866 | 48,871,845 | 1.00% |
| 2007-08 | 52,421,716 | 1,409,966 | 1,669,047 | 52,162,635 | 1.00% |
| 2008-09 | 55,451,069 | 1,449,359 | 1,731,004 | 55,169,424 | 1.00% |
| 2009-10 | 56,421,874 | 1,488,475 | 1,825,610 | 56,084,739 | 1.00% |
| 2010-11 | 55,762,678 | 1,467,396 | 1,850,867 | 55,379,207 | 1.00% |
| 2011-12 | 56,212,206 | 1,462,190 | 1,906,079 | 55,768,317 | 1.00% |
| 2012-13 | 56,725,179 | 1,470,366 | 1,958,091 | 56,237,454 | 1.00% |
| 2013-14 | 58,938,343 | 1,480,668 | 2,013,902 | 58,405,109 | 1.00% |

Notes:

[1] Secured property is generally real property, defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines

[2] Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.

[3] Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Source: Department of Finance - County of Marin, California

## COUNTY OF MARIN

### Direct and Overlapping Property Tax Rates[1]
### Last Ten Fiscal Years
### (rate per $100 of assessed value)

| | | Overlapping Rates[2] | | | |
|---|---|---|---|---|---|
| Fiscal Year | County Direct Rate | Local Special Districts | Schools | Cities | Total Direct and Overlapping[2] |
| 2004-05 | 1.0000% | 0.6010% | 0.6010% | 0.2606% | 2.4626% |
| 2005-06 | 1.0000% | 0.6258% | 0.5872% | 0.2508% | 2.4638% |
| 2006-07 | 1.0000% | 0.6782% | 0.6230% | 0.2679% | 2.5691% |
| 2007-08 | 1.0000% | 0.6924% | 0.6186% | 0.2778% | 2.5888% |
| 2008-09 | 1.0000% | 0.7121% | 0.5836% | 0.2734% | 2.5691% |
| 2009-10 | 1.0000% | 0.6741% | 0.6468% | 0.2757% | 2.5966% |
| 2010-11 | 1.0000% | 0.7677% | 0.7423% | 0.2860% | 2.7960% |
| 2011-12 | 1.0000% | 0.8093% | 0.7808% | 0.2523% | 2.8424% |
| 2012-13 | 1.0000% | 0.7721% | 0.7884% | 0.2522% | 2.8127% |
| 2013-14 | 1.0000% | 0.7850% | 0.7775% | 0.2601% | 2.3252% |

Notes:

[1] On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978 and that each County will levy the maximum tax permitted by Article XIIIA of $1 per $100 of full cash value. Full cash value is equivalent to assessed value, pursuant to Senate Bill 1656, Statutes of 1978. The rates shown above are percentages of assessed valuation.

[2] These rates represent the maximum rate charged to taxpayers if all rates applied to them. In reality, the rates applicable to tax rate areas will vary at amounts lower than these totals.

Source: Department of Finance - County of Marin, California

**COUNTY OF MARIN**

**Principal Revenue Taxpayers**
**Current Year and Nine Years Ago**

**June 30, 2014**

| Taxpayer | Type of Business | | Total Taxes[1] | Percentage of Total County Taxes |
|---|---|---|---|---|
| Pacific Gas and Electric Company | Utilities | $ | 4,443,111 | 0.55% |
| Skywalker Properties LTD | Film and Entertainment | | 2,278,086 | 0.28% |
| JCC Cal Properties LLC | Commercial Rental Property | | 1,904,905 | 0.24% |
| Corte Madera Village LLC | Commercial Rental Property | | 1,815,522 | 0.22% |
| Novato FF Property LLC | Commercial Rental Property | | 1,774,785 | 0.22% |
| Northgate Mall Association | Mall | | 1,628,582 | 0.20% |
| Hamilton Marin LLC | Commercial Rental Property | | 1,585,049 | 0.20% |
| 770 Tamalpais Dr., Inc. | Commercial Rental Property | | 1,276,508 | 0.16% |
| Sutter Health | Health Services | | 1,212,747 | 0.15% |
| Biomarin Pharmaceutical, Inc. | Pharmaceutical | | 1,006,758 | 0.12% |
| Total | | $ | 18,926,053 | |
| **Total taxes of all taxpayers** | | $ | 810,341,722 | |

**June 30, 2005**

| Taxpayer | Type of Business | | Total Taxes[1] | Percentage of Total County Taxes |
|---|---|---|---|---|
| Skywalker Properties LTD | Film and Entertainment | $ | 2,327,008 | 0.44% |
| Pacific Gas and Electric Company | Utilities | | 2,116,808 | 0.40% |
| McVay W H Trust L/L ETAL | Commercial Rental Property | | 1,915,430 | 0.37% |
| Corte Madera Village LLC | Commercial Rental Property | | 1,380,599 | 0.26% |
| San Marin Assurance Company | Insurance | | 1,274,203 | 0.24% |
| Spieker Properties | Commercial Rental Property | | 1,136,857 | 0.22% |
| Pacific Bell | Utilities | | 860,752 | 0.16% |
| Northgate Mall Association | Mall | | 843,490 | 0.16% |
| 770 Tamalpais Dr., Inc. | Commercial Rental Property | | 721,369 | 0.14% |
| Hamilton Marin LLC | Commercial Rental Property | | 703,463 | 0.13% |
| Total | | $ | 13,279,979 | |
| **Total taxes of all taxpayers** | | $ | 524,690,020 | |

Notes:
[1] Taxable assessed secured amounts

Source: Department of Finance - County of Marin, California

**COUNTY OF MARIN**

**Property Tax Levies and Collections**
**Last Ten Fiscal Years**

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected witin the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | | Total Cumulative Uncollected Taxes | |
|---|---|---|---|---|---|---|---|---|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy | Amount | Percentage of Levy |
| 2005 | 529,139,506 | 523,219,068 | 98.88% | 5,826,512 | 529,045,580 | 99.98% | 93,926 | 0.02% |
| 2006 | 582,453,699 | 574,813,365 | 98.69% | 7,331,797 | 582,145,162 | 99.95% | 308,537 | 0.05% |
| 2007 | 635,311,778 | 624,278,658 | 98.26% | 10,702,619 | 634,981,277 | 99.95% | 330,501 | 0.05% |
| 2008 | 684,007,251 | 667,706,143 | 97.62% | 15,807,449 | 683,513,592 | 99.93% | 493,659 | 0.07% |
| 2009 | 717,958,385 | 696,748,890 | 97.05% | 18,915,787 | 715,664,677 | 99.68% | 2,293,708 | 0.32% |
| 2010 | 746,290,576 | 727,942,762 | 97.54% | 16,792,110 | 744,734,872 | 99.79% | 1,555,704 | 0.21% |
| 2011 | 755,085,588 | 740,943,048 | 98.13% | 12,432,663 | 753,375,711 | 99.77% | 1,709,877 | 0.23% |
| 2012 | 769,537,466 | 757,441,903 | 98.43% | 10,316,570 | 767,758,473 | 99.77% | 1,778,993 | 0.23% |
| 2013 | 782,812,148 | 773,795,588 | 98.85% | 4,187,199 | 777,982,787 | 99.38% | 4,829,361 | 0.62% |
| 2014 | 817,201,889 | 808,364,147 | 98.92% | - | 808,364,147 | 98.92% | 8,837,742 | 1.08% |

Source: Department of Finance - County of Marin, California

**COUNTY OF MARIN**

**Ratios of Total Debt Outstanding by Type**
**Last Ten Fiscal Years**
**(dollars in thousands, except per capita)**

| | Governmental Activities | | | | | | | | Business-Type Activities | | | Primary Government | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Revenue Bonds | Pension Obligation Bonds | Asset Backed Bonds | Certificates of Participation | Term Loan Payable | Capital Leases | Less: Restricted for Repayment of Principal | Subtotal | Term Loan Payable | Capital Leases | Subtotal | Total Primary Government Net Bonded Debt | Percentage of Personal Income[1] | Per Capita[1] |
| 2004-05 | 12,355 | 112,805 | 32,196 | 47,675 | - | 2,258 | (7,181) | 200,108 | - | 213 | 213 | 200,321 | 1.01% | $821 |
| 2005-06 | 12,150 | 112,805 | 31,369 | 44,940 | 213 | 2,353 | (13,058) | 190,772 | - | 160 | 160 | 190,932 | 0.88% | $781 |
| 2006-07 | 11,925 | 112,805 | 48,999 | 42,085 | 1,803 | 1,405 | (10,888) | 208,134 | 3,998 | 104 | 4,102 | 212,236 | 0.94% | $862 |
| 2007-08 | 11,670 | 112,805 | 48,884 | 39,110 | 1,838 | 913 | (11,211) | 204,009 | 5,150 | 46 | 5,196 | 209,205 | 0.90% | $842 |
| 2008-09 | 11,390 | 112,755 | 48,502 | 36,005 | 2,398 | 882 | (10,999) | 200,933 | 5,107 | - | 5,107 | 206,040 | 0.92% | $822 |
| 2009-10 | 11,080 | 112,325 | 48,481 | 32,760 | 3,062 | 558 | (10,721) | 197,545 | 5,674 | - | 5,674 | 203,219 | 0.97% | $804 |
| 2010-11 | 10,740 | 111,480 | 48,779 | 75,178 | 3,453 | 1,955 | (14,463) | 237,122 | 6,061 | 202 | 6,263 | 243,385 | 1.11% | $954 |
| 2011-12[2] | 6,185 | 110,185 | 48,999 | 73,410 | 4,722 | 1,536 | (13,691) | 231,346 | 5,169 | - | 5,169 | 236,515 | 0.99% | $924 |
| 2012-13 | 5,860 | 108,400 | 48,163 | 71,097 | 2,766 | 1,103 | (13,948) | 223,441 | 4,212 | 2,172 | 6,384 | 229,825 | 0.92% | $890 |
| 2013-14 | 6,163 | 106,085 | 48,550 | 68,731 | 2,780 | 700 | (13,295) | 219,714 | 4,535 | 2,147 | 6,682 | 226,396 | unavailable | unavailable |

Notes:

[1] See the Demographic and Economic Statistics Schedule for personal income and population data used to calculate these ratios. Details regarding the County's outstanding debt can be found in the notes to the financial statements.

[2] In accordance with the Redevelopment Agency Dissolution Act, the Marin County Redevelopment Agency (RDA) was dissolved on February 1, 2012. Upon dissolution, all assets and liabilities of the former RDA were removed from the County's financial statements and transferred to the successor agency, which is not a component unit of the County.

Source: Comprehensive Annual Financial Reports - County of Marin, California

**COUNTY OF MARIN**

**Legal Debt Margin Information**
**As of June 30, 2014**
**(in thousands)**

| | Fiscal Year 2014 | |
|---|---|---|
| | **1.25%** | **3.75%** |
| Debt limit | $ 730,064 | $ 2,190,192 |
| Total net debt applicable to limit | 223,531 | 223,531 |
| Legal debt margin | $ 506,533 | $ 1,966,661 |
| Total net debt applicable to the limit as a percentage of debt limit | 30.62% | 10.21% |
| **Legal Debt Margin Calculation for Fiscal Year 2013** | | |
| Assessed value | $ 60,419,011 | $ 60,419,011 |
| Less: Exempt real property | (2,013,902) | (2,013,902) |
| Total assessed value | $ 58,405,109 | $ 58,405,109 |
| **CERTIFICATES OF PARTICIPATION** | | |
| Debt limit (1.25% and 3.75% of total assessed value)[1] | $ 730,064 | $ 2,190,192 |
| Debt applicable to limit: | | |
| Certificates of Participation | 68,731 | 68,731 |
| Less: Amount set aside for repayment of outstanding debt | (2,424) | (2,424) |
| Total net debt applicable to limit | 66,307 | 66,307 |
| **OTHER BONDED DEBT** | | |
| Debt applicable to limit: | | |
| Revenue Bonds | 6,163 | 6,163 |
| Pension Obligation Bonds | 106,085 | 106,085 |
| Tobacco Settlement Asset-Backed Bonds | 48,550 | 48,550 |
| Less: Amount set aside for repayment of outstanding debt | (3,574) | (3,574) |
| Total net debt applicable to limit | 157,224 | 157,224 |
| Legal debt margin | $ 953,595 | $ 2,413,723 |

Notes:

[1] Using the California Attorney General's Opinion regarding Revenue and Tax Code section 135 and applying that opinion to the California Government Code section 29909, the County of Marin's outstanding bonded debt should not exceed 1.25% of total assessed property value. However, for flood control purposes, Marin County's outstanding bonded debt may exceed 1.25% but shall not exceed 3.75% of the total assessed property value. By law, the bonded debt subject to these limitations may be offset by amounts set aside for repaying bonded debt. Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Source: Department of Finance - County of Marin, California

## COUNTY OF MARIN

### Direct and Overlapping Debt
### As of June 30, 2014

| | | | | |
|---|---|---|---|---|
| Assessed Valuation (including unitary utility valuation) | $ | 59,234,373,192 | | |
| Less: Redevelopment incremental valuation | | 3,796,465,909 | | |
| Adjusted assessed valuation | $ | 55,437,907,283 | | |
| | | **Percentage Applicable (1)** | | **County's Share of Overlapping Debt** |
| OVERLAPPING TAX AND ASSESSMENT DEBT | | | | |
| School Districts | | | | |
| Marin Community College District | | 100.000% | $ | 220,770,000 |
| Novato Unified School District | | 100.000% | | 87,310,000 |
| Shoreline Joint Unified School District | | 55.651% | | 7,457,234 |
| Petaluma Joint Union High School District | | 0.993% | | 266,599 |
| San Rafael High School District | | 100.000% | | 45,315,315 |
| Tamalpais Union High School District | | 100.000% | | 143,535,000 |
| Kentfield School District | | 100.000% | | 16,380,000 |
| Mill Valley School District | | 100.000% | | 66,708,984 |
| Reed Union School District | | 100.000% | | 35,380,000 |
| San Rafael School District | | 100.000% | | 53,105,819 |
| Other School Districts | | 0.145-100% | | 128,165,092 |
| Cities | | | | |
| Town of Fairfax | | 100.000% | | 5,786,300 |
| City of Novato | | 100.000% | | 14,555,000 |
| City of San Anselmo | | 100.000% | | 7,275,000 |
| City of Sausalito | | 100.000% | | 12,898,894 |
| Special Districts | | | | |
| Strawberry Recreation and Park District Zone No. 4 | | 100.000% | | 945,000 |
| Public Utility Districts | | 100.000% | | 133,766 |
| County Water Districts | | 100.000% | | 164,000 |
| Community Facilities Districts | | 100.000% | | 78,395,690 |
| 1915 Act Bonds | | 100.000% | | 25,747,843 |
| Total Overlapping Tax and Assessment Debt | | | | 950,295,536 |
| | | | | |
| DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT | | | | |
| Direct General Fund Obligation Debt | | | | |
| **Marin County General Fund Obligations** | | **100.000%** | **$** | **71,687,267** (2) |
| **Marin County Pension Obligations** | | **100.000%** | | **106,085,000** |
| Total Direct General Fund Obligation Debt | | | | 177,772,267 |
| Overlapping General Fund Obligation Debt | | | | |
| School Districts | | | | |
| Marin Community College District General Fund Obligations | | 100.000% | | 2,675,834 |
| San Rafael School District General Fund Obligations | | 100.000% | | 3,765,000 |
| Sausalito School District Certificates of Participation | | 100.000% | | 4,675,000 |
| Other School District General Fund Obligations | | 0.145-0.980% | | 68,174 |
| Cities | | | | |
| Town of Corte Madera General Fund Obligations | | 100.000% | | 9,646,651 |
| City of Novato Certificates of Participation and Pension Obligations | | 100.000% | | 18,917,249 |
| City of San Rafael General Fund and Pension Obligations | | 100.000% | | 13,115,739 |
| Other Cities and Towns General Fund and Pension Obligations | | 100.000% | | 11,406,540 |
| Special Districts | | | | |
| Marin County Transit District General Fund Obligations | | 100.000% | | 169,271 |
| Marinwood Community Services District Certificates of Participation | | 100.000% | | 543,367 |
| Fire Protection District Certificates of Participation | | 100.000% | | 5,991,752 |
| Other Special District General Fund Obligations | | 100.000% | | 679,953 |
| Total Direct and Overlapping General Fund Obligation Debt | | | $ | 249,426,797 |
| | | | | |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agencies) | | | $ | 72,164,004 |
| | | | | |
| **TOTAL DIRECT DEBT** | | | **$** | **177,772,267** |
| TOTAL OVERLAPPING DEBT | | | $ | 1,094,114,070 |
| | | | | |
| COMBINED TOTAL DEBT | | | $ | 1,271,886,337 (3) |

Notes:

(1) The percentage of overlapping debt applicable to the County is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the County divided by the district's total taxable assessed value

(2) Includes share of Marin's Emergency Radio Authority Bonds.

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

| | |
|---|---|
| Ratio to 2012-13 Assessed Valuation: | |
| Total Overlapping Tax and Assessment Debt . . . . . . . . . . . . . . . . . . . . | 1.60% |
| **Total Direct Debt . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .** | **0.30%** |
| Combined Total Debt . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 2.15% |
| | |
| Ratios to Redevelopment Incremental Valuation: | |
| Total Overlapping Tax Increment Debt . . . . . . . . . . . . . . . . . . . . . . | 1.90% |

Source: California Municipal Statistics, Inc.

## COUNTY OF MARIN

### Demographic and Economic Statistics
### Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Population[1] | Personal Income[1] | Per Capita Personal Income[1] | School Enrollment[2] | Unemployment Rate[3] |
|---|---|---|---|---|---|
| 2005 | 244,024 | 19,919,117,000 | 81,628 | 28,429 | 4.00% |
| 2006 | 244,336 | 21,793,982,000 | 89,197 | 28,764 | 3.80% |
| 2007 | 246,100 | 22,574,434,000 | 91,729 | 29,081 | 3.70% |
| 2008 | 248,345 | 23,161,297,000 | 93,263 | 29,100 | 4.70% |
| 2009 | 250,750 | 22,351,575,000 | 89,139 | 29,615 | 8.10% |
| 2010 | 252,789 | 20,854,466,000 | 82,498 | 30,140 | 8.20% |
| 2011 | 255,031 | 21,871,623,000 | 85,761 | 30,574 | 8.10% |
| 2012 | 256,069 | 23,918,732,000 | 93,407 | 31,868 | 7.00% |
| 2013 | 258,365 | 25,093,401,000 | 97,124 | 32,793 | 5.10% |
| 2014 | unavailable | unavailable | unavailable | unavailable | 4.00% |

Sources:

[1] US Department of Commerce, Bureau of Economic Analusis - www.bea.gov

[2] California Department of Education, Educational Demographics Office - www.ed-data.k12.ca.us

[3] Employment Development Department, Labor Market Information - www.labormarketinfo.edd.ca.gov

## COUNTY OF MARIN

### Principal Employers
### Current Year and Nine Years Ago

| 2014 | | | 2005 | | |
|---|---|---|---|---|---|
| Employer | Employees | Percentage of Total County Employment | Employer | Employees | Percentage of Total County Employment |
| County of Marin | 2,065 | 1.51% | County of Marin | 2,036 | 1.64% |
| San Quentin State Prison | 1,832 | 1.34% | Fireman's Fund | 1,793 | 1.45% |
| Marin General Hospital | 1,654 | 1.21% | San Quentin Prison | 1,638 | 1.32% |
| Kaiser Permanente Medical Center | 1,637 | 1.19% | Kaiser Permanente | 1,295 | 1.05% |
| Autodesk, Inc. | 1,095 | 0.80% | Lucasfilm Ltd. | 1,209 | 0.98% |
| BioMarin Parmaceutical | 850 | 0.62% | Marin General Hospital | 876 | 0.71% |
| Novato Unified School District | 812 | 0.59% | Autodesk, Inc. | 840 | 0.68% |
| Fireman's Fund Insurance Co. | 750 | 0.55% | Novato Unified School District | 825 | 0.67% |
| Lucasfilm Ltd. | 400 | 0.29% | Golden Gate Transit | 593 | 0.48% |
| Bradley Real Estate | 385 | 0.28% | Safeway, Inc. | 579 | 0.47% |
| Total | 11,480 | 8.38% | | 11,684 | 9.44% |
| Total County Employment | 137,000 | | Total County Employment | 123,800 | |

Sources:
Community Profile, County of Marin
Employment Development Department, Labor Market Information - www.Labormarketinfo.edd.ca.gov

**COUNTY OF MARIN**

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

| Function/program | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|---|---|---|---|---|---|
| General government | 331.92 | 345.87 | 362.12 | 363.12 | 362.82 | 362.57 | 356.73 | 354.15 | 354.58 | 360.20 |
| Public protection | 720.46 | 727.11 | 731.90 | 740.70 | 723.29 | 709.97 | 681.58 | 663.16 | 666.91 | 663.03 |
| Public ways and facilities | 284.93 | 300.08 | 314.58 | 315.83 | 324.10 | 321.03 | 304.53 | 300.78 | 307.93 | 312.53 |
| Health and sanitation | 368.64 | 375.33 | 388.20 | 387.33 | 391.53 | 376.34 | 352.66 | 338.50 | 340.22 | 360.58 |
| Public assistance | 245.76 | 250.22 | 258.80 | 258.22 | 261.02 | 250.89 | 235.10 | 225.67 | 226.81 | 240.39 |
| Education | 89.16 | 89.91 | 92.12 | 95.12 | 96.76 | 95.93 | 94.83 | 94.95 | 100.11 | 98.95 |
| Recreational and cultural studies | 74.00 | 76.00 | 78.00 | 82.25 | 81.75 | 81.00 | 77.50 | 76.50 | 87.80 | 93.92 |
| Total full-time equivalent employees | 2,114.87 | 2,164.52 | 2,225.72 | 2,242.57 | 2,241.27 | 2,197.73 | 2,102.93 | 2,053.71 | 2,084.36 | 2,129.60 |

Source: Department of Finance - County of Marin, California

**COUNTY OF MARIN**

**Operating Indicators by Function**
**Last Six Fiscal Years**

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | **2008-09** | **2009-2010** | **2010-11** | **2011-12** | **2012-13** | **2013-14** |
| **Public Protection** | | | | | | |
| Sheriff | | | | | | |
| Jail Bookings | 8,034 | 7,881 | 7,638 | 7,761 | 7,619 | 7,511 |
| Jail Average Daily Population | 330 | 288 | 295 | 289 | 289 | 287 |
| Average Daily Dispatch Calls | 87 | 82 | 82 | 83 | 83 | 82 |
| Number of Major Crimes Task Force Cases Assigned | 243 | 235 | 144 | 134 | 98 | 126 |
| Number of Physical Arrests | 8,034 | 7,881 | 7,638 | 7,761 | 7,619 | 7,511 |
| Number of Parking Violations | 5,466 | 4,442 | 5,454 | 5,650 | 3,506 | 5,125 |
| Number of Fire or Emergency Medical Calls Received | 26,747 | 26,661 | 23,718 | 23,739 | 24,796 | 24,903 |
| District Attorney | | | | | | |
| Number of Felony Referrals | 2,969 | 3,099 | 3,172 | 2,912 | 2,600 | 2,579 |
| Number of Misdemeanor Referrals | 5,875 | 5,795 | 5,374 | 5,706 | 5,412 | 5,404 |
| Number of Felony Cases Filed | 826 | 883 | 853 | 832 | 843 | 909 |
| Number of Misdemeanor Cases Filed | 4,519 | 4,645 | 4,357 | 3,705 | 3,113 | 3,120 |
| DUI's Cases Referred | 1,593 | 1,544 | 1,436 | 1,251 | 1,320 | 1,347 |
| DUI's Cases Filed | 1,570 | 1,424 | 1,343 | 1,155 | 1,228 | 1,275 |
| Domestic Violence Cases Referred | 799 | 861 | 828 | 874 | 813 | 838 |
| Domestic Violence Cases Filed | 336 | 404 | 308 | 329 | 272 | 297 |
| Probation | | | | | | |
| Probation Investigations and Reports | 814 | 538 | 582 | 536 | 486 | 542 |
| Juvenile Hall Average Daily Population | 25 | 22 | 22 | 16 | 12 | 9 |
| Number of Adult Probation Cases Supervised | 3,174 | 2,754 | 2,522 | 2,566 | 2,024 | 2,289 |
| Environmental Health | | | | | | |
| Food Facility Operating Permits Issued | 1,532 | 1,615 | 1,680 | 1,535 | 1,545 | 1,545 |
| Housing and Institution Operating Permits Issued | 617 | 630 | 646 | 686 | 679 | 679 |
| Recreational Health Operating Permits Issued | 552 | 548 | 549 | 548 | 548 | 578 |
| Liquid Waste Operating Permits Issued | 249 | 265 | 295 | 307 | 318 | 318 |
| **Health and Sanitation** | | | | | | |
| Youth and Family Services | | | | | | |
| Number of Children Assessed who Need Treatment | 467 | 485 | 435 | 450 | 187 | 272 |
| Total Days in Residential Treatment | 5,754 | 5,699 | 3,516 | 5,850 | 3,961 | 3,359 |
| Mental Health | | | | | | |
| Total Number of Medi-Cal beneficiaries | 19,973 | 21,646 | 22,963 | 24,147 | 23,261 | 25,855 |
| Number of Children and Adolescents Admitted to Psychiatric Emergency Services | 155 | 118 | 147 | 112 | 153 | 135 |
| Number of Adults Admitted to Psychiatric Emergency Services | 983 | 961 | 931 | 924 | 865 | 982 |
| **Public Ways and Facilities** | | | | | | |
| Roads | | | | | | |
| Street Resurfacing (miles) | 7 | 2 | 13 | 6.4 | 48 | 68 |
| Potholes Repaired | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| **Public Assistance** | | | | | | |
| Social Services | | | | | | |
| Number of new applications received for food stamps | 5,056 | 5,285 | 7,713 | 5,850 | 6,814 | 6,446 |
| Percent of new food stamp applications approved | 0.62 | 0.63 | 0.61 | 0.62 | 57% | 58% |
| Number of new applications received for Medi-Cal | 9,808 | 9,356 | 13,709 | 8,950 | 9,371 | 17,141 |
| Percent of new Medi-Cal applications approved | 0.56 | 0.57 | 0.62 | 0.57 | 58% | 62% |
| Number of Children Served by Child Welfare Services | 127 | 105 | 99 | 176 | 142 | 157 |
| Number of Adoptive parents served in Adoption Assitant Program Families | 221 | 221 | 235 | 207 | 227 | 223 |
| **Education** | | | | | | |
| Library | | | | | | |
| Number of virtual visits | 513,900 | 721,361 | 883,862 | 300,304 | 414,820 | 412,733 |
| Number of community outreach activities | 386 | 359 | 300 | 989 | 897 | 256 |
| Number of community partnerships | 16 | 34 | 35 | 75 | 93 | 149 |
| Number of items circulated | 1,931,476 | 2,081,173 | 2,100,000 | 1,717,470 | 2,197,422 | 2,335,607 |
| Number of visits to all branch libraries | 1,143,414 | 1,179,867 | 1,450,000 | 1,134,067 | 1,046,825 | 961,943 |
| **Recreation and Cultural Services** | | | | | | |
| Parks | | | | | | |
| Number of Park Passes Issued | 225 | 291 | 321 | 315 | 348 | 348 |
| **Transit District** | | | | | | |
| Buses | | | | | | |
| Total Number of Passengers | 3,406,115 | 3,327,621 | 3,376,520 | 3,376,520 | 3,410,383 | 3,546,112 |
| Service Hours | 189,921 | 192,318 | 188,287 | 188,287 | 194,563 | 204,500 |
| Total Number of Routes | 32 | 26 | 26 | 26 | 25 | 30 |

Source: Various Marin County departments

Combined by Heather Burton, CAO's office
Information for Transit was provided by Amber Johnson of Transit

**COUNTY OF MARIN**

**Capital Asset Statistics by Function**
**Last Six Fiscal Years**

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** |
| Function | | | | | | |
| Public Protection | | | | | | |
| Sheriff | | | | | | |
| Stations (Headquarters and Substations) | 4 | 4 | 4 | 4 | 4 | 4 |
| Patrol Units | 31 | 31 | 31 | 31 | 31 | 31 |
| Marine Crafts | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire Stations | | | | | | |
| Stations | 6 | 6 | 6 | 6 | 6 | 6 |
| Lookouts | 2 | 2 | 2 | 2 | 2 | 2 |
| Type 1 Fire Engines | 8 | 7 | 7 | 7 | 7 | 7 |
| Type 3 Fire Engines | 12 | 11 | 12 | 11 | 11 | 11 |
| Type 4 Fire Engines | 1 | 1 | 1 | 1 | 1 | 1 |
| Ambulances | 5 | 5 | 5 | 5 | 5 | 5 |
| Graders | 1 | 1 | 1 | 1 | 1 | 1 |
| Dozers | 1 | 1 | 1 | 1 | 1 | 1 |
| Water Tenders | 3 | 3 | 3 | 3 | 3 | 3 |
| USAR Support Vehicles | 1 | 1 | 1 | 1 | 1 | 1 |
| Heavy Rescue Vehicles | 2 | 2 | 2 | 2 | 2 | 2 |
| Transport | 1 | 1 | 1 | 1 | 1 | 1 |
| Crew Carrier | 1 | 1 | 1 | - | 1 | 1 |
| Utilities/Support Vehicles | 23 | 24 | 23 | 23 | 23 | 23 |
| ATV | - | - | - | 2 | 3 | 3 |
| Corrections | | | | | | |
| Capacity of All Correctional Facilities | 376 | 376 | 376 | 376 | 376 | 376 |
| Public Ways and Facilities | | | | | | |
| Roads | | | | | | |
| Streets (Miles) | 420 | 420 | 420 | 420 | 420 | 420 |
| Bridges | 65 | 65 | 65 | 65 | 65 | 65 |
| Street Light | 2,025 | 2,025 | 2,025 | 2,025 | 2,025 | 2,025 |
| Traffic Signals | 13 | 13 | 13 | 13 | 13 | 13 |
| Education | | | | | | |
| Library | | | | | | |
| Number of Library Branches | 12 | 11 | 11 | 11 | 11 | 11 |
| Recreation and Cultural Services | | | | | | |
| Parks & Open Space | | | | | | |
| Number of Open Space Acres Maintained | 15,299 | 15,299 | 15,067 | 15,087 | 15,109 | 15,113 |
| Number of Parks Acres Maintained | 921 | 923 | 934 | 934 | 934 | 942 |
| Transit District | | | | | | |
| Buses | | | | | | |
| Total Number of Buses | 50 | 49 | 50 | 50 | 58 | 64 |

Source: Various Marin County departments

Combined by Heather Burton, CAO's office
Information for Transit was provided by Amber Johnson of Transit

THIS PAGE INTENTIONALLY LEFT BLANK

# APPENDIX C

# COUNTY STATEMENT OF INVESTMENT POLICY

THIS PAGE INTENTIONALLY LEFT BLANK

# COUNTY OF MARIN

## STATEMENT OF INVESTMENT POLICY

COUNTY OF MARIN

## FY 2014-2015

## DEPARTMENT OF FINANCE
## ROY GIVEN, DIRECTOR

## *TABLE OF CONTENTS*

# *COUNTY OF MARIN*
## *STATEMENT OF INVESTMENT POLICY*

Under the authority delegated to the Director of Finance by the Board of Supervisors and in accordance with the California Government Code, the following sets forth the investment policy of the County of Marin:

### *I. OBJECTIVES*:

All funds on deposit in the County Treasury shall be invested in accordance with the California Government Code Sections 53600 et sec. and Sections 53639 et sec. to ensure:

(a) **Preservation of capital** through high quality investments and by continually evaluating the credit of financial institutions approved for investment transactions, and securities considered and held in safekeeping;

(b) Maintenance of sufficient **liquidity** to enable the participants and other depositors to meet their operating requirements;

(c) A **rate of return** consistent with the above objectives.

### *2. PARTICIPANTS*

Participants in the Marin County Pool are defined as Marin County, Marin Public School Agencies, Marin Community College, Marin County Office of Education, districts under the control of the County Board of Supervisors, autonomous/independent districts whose treasurer is the Director of Finance and any other district or agency approved by the Board of Supervisors and the Director of Finance using the County of Marin as their fiscal agent.

(a) **Statuatory participants** are those government agencies within the County of Marin for which the Marin County Treasurer is statutorily designated as the Custodian of Funds.

(b) **Voluntary participants** are other local agencies that may participate in the Pooled Investment Fund, such as special districts and cities for which the Marin County Treasurer is not statutorily designated as the Custodian of Funds. Participation is subject to approval by the Director of Finance, and in accordance with California Government Code Section 53684.

### *3. AUTHORIZED PERSONS*

Authorized persons for investment purposes include principal staff as designated by the Director of Finance on the Authorized Investor List. Designated Principal Staff shall make all investment decisions. To minimize the risk of disrupting the day to day business activities, Principal Staff shall use separate means of travel to attend training and conferences.

All investment decisions shall be made with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting, as a trustee, in a like capacity and familiarity would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the participants.

### *4. BIDS & PURCHASE OF SECURITIES*

Prior to the purchase of an investment pursuant to this policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. Bids for various investments shall be evaluated considering preservation of capital as the most important factor, liquidity as the second most important factor and lastly, yield. Investments in commercial paper, bankers acceptances and certificates of deposit for each issuer shall be limited to five percent (5%) of Treasury assets, determined using the Treasury balance at the time of purchase, except that investments in overnight commercial paper shall be limited to seven percent (7%) of Treasury assets for any one issuer. The investment selected for purchase shall be that investment which in the opinion of the purchaser most clearly meets these objectives. All security transactions shall be documented at the time the transaction is consummated.

### *5. TERM*

Maturities of investments in the Marin County Treasury Pool shall be selected based upon liquidity requirements. The maximum remaining term to maturity for an investment shall be three (3) years; except that, subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq. of the California Government Code, the Director of Finance may authorize investments in U.S. Treasury obligations and/or U.S. and local agency obligations with a maximum remaining term to maturity that shall not exceed five (5) years. The weighted average maturity of the investment pool, to be determined at the time of purchase, shall not exceed 540 days to final maturity/call.

Capital Funds, Construction Funds, or money obtained through the sale of agency surplus property, may be invested by the Director of Finance in specific investments outside of the Pool provided the Director of Finance obtains written approval from the governing board of the County, School District or Special District. No investment shall have a remaining maturity in excess of five (5) years.

Proceeds of Debt Issues set aside for repayment of any County, School District, or Special District financings shall not be invested for a term that exceeds the term set forth in the financing documents.

## *6. ALLOWED INVESTMENTS*

Pursuant to California Government Code Sections 53601 et seq. &, 53635 et seq., the County Director of Finance may invest in the following subject to the limitations as set forth:

(a) **United States Treasury obligations.**

(b) **United States Agency obligations.**

(c) **Securities of U.S. Government Agencies & Instrumentalities**

(d) **State of California Bonds and Registered Warrants**.

(e) **Bonds, Notes, Warrants** or other evidence of indebtedness of a **local agency** within the State of California.

(f) **Bankers acceptances** not to exceed one hundred eighty (180) days to maturity or at the time of purchase thirty percent (30%) of the treasury fund balance.

(g) **Commercial paper** of "prime" quality of the highest_letter and numerical rating as provided for by Moody's_Investors Service, Inc., or Standard and Poor's Corporation, to be chosen from among corporations organized and operating_within the United States with assets in excess of $500,000,000.00 and having an "A" or higher rating for the issuer's debt, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed two hundred seventy (270) days in maturity and may not exceed forty percent (40%) of the treasury fund balance.

(h) **Negotiable certificates of deposit** issued by a nationally or state-chartered bank, a state or federal association or by a state-licensed branch of a foreign bank selected on the basis of financial stability and credit rating criteria employed by the County Director of Finance . Negotiable certificates of deposit may not exceed thirty percent (30%) of the treasury fund balance.

i) **Non-negotiable certificates of deposit** (**Time Deposits)** with a nationally or state-chartered bank or a state or federal association selected on the basis of financial stability, credit rating and reputation using criteria employed by the County Director of Finance fully collateralized at one hundred ten percent (110%) of market value with U.S. Government Securities, high-grade Municipal Bonds, instruments of federal agencies, including mortgage backed securities at one hundred fifty percent (150%) of market value with promissory notes secured by first deeds of trust upon improved residential real property as provided by the Government Code.

(j) **Medium-term Notes** rated "A" or better, to be chosen from among corporations with assets in excess of $500,000,000.00 with a maturity not to exceed two years from the date of purchase. Purchase of eligible medium-term notes may not exceed thirty percent (30%) of the treasury fund balance.

(k) **Shares of beneficial interest issued by diversified management companies**, which are money market funds investing in securities and obligations as authorized by this investment policy. To be eligible for investment these companies shall attain the highest ranking or the highest letter and numerical rating provided by no less than two nationally recognized statistical rating organizations and have assets under management in excess of $500,000,000.00. The purchase price may not include any commissions that these companies may charge, and the purchase of shares in any one mutual fund may not exceed ten percent (10%) of the treasury balance and the total invested my not exceed twenty percent (20%) of the treasury balance. Shares of beneficial interest issued by diversified management companies may include shares in investment trusts established under provisions of the California Joint Exercise of Powers Act.

(l) **Repurchase agreements** on any investment authorized by this investment policy where the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and the value shall be adjusted daily. The County Director of Finance or designee must approve any collateral substitution by the seller, and any new collateral should be reasonably identical to the original collateral in terms of maturity, yield, quality and liquidity.

(m) **California State Local Agency Investment Pool** (**LAIF**) operated by the State Treasurer's office.

(n) **Financial Institution Investment Accounts -** All funds on deposit with the County shall be managed by the County Director of Finance. The Director of Finance may, at his option, at the time of placement, place not more than five percent (5%) of the Treasury assets at the time of investment with a financial institution for the purpose of managing such funds. Securities eligible for purchase by the financial institution are limited to United States Treasury and Agency obligations with a "AAA" credit quality rating, must be held in the County's name in a third party custody account, may not have a remaining maturity in excess of three (3) years, and the account shall have an average maturity of 1.5 years or less. All security transactions shall be supervised and approved by designated staff on the Authorized Investor List.

Where a percentage limitation is specified for a particular category of investments, that percentage is applicable only at the time of purchase.

## *7. PROHIBITED INVESTMENTS*

(a) The County Director of Finance **shall not invest** in any **Derivatives** such as inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages or any security bearing a rate of interest which is not known at the time of purchase.

(b) The County Director of Finance shall not invest any funds in any security that could result in **zero interest accrual** if held to maturity or where there is a risk of loss of principal when held to maturity.

(c) **Reverse repurchase agreements**, securities lending agreements and all other investments that are not specifically allowed by this investment policy are prohibited.

(d) In accordance with Marin County's Nuclear Freeze Ordinance Measure "A" (Exhibit 1) as approved by the voters on November 4, 1986, the County is prohibited from investing in securities or other obligations of any corporation or business entity which is a **nuclear weapons contractor**.

Furthermore, said corporations or business entities that the County Director of Finance does invest in must file an affidavit as required by Measure "A" Section VI. B certifying that neither it, nor its parent company, affiliates or subsidiaries are nuclear weapons contractors. A copy of each affidavit received shall be sent to the Peace Commission.

## *8. BROKERS*

Broker/dealers shall be selected by the Director of Finance upon recommendation by the Investment Officer or designated principal staff on the Authorized Investor List. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution and the reputation and expertise of the individuals employed. The Director of Finance shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48 consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, any member of the Board of Supervisors, any member of the governing board of a local agency having funds held in the County Treasury, or any candidate for those offices. The broker/dealers shall be provided with and acknowledge receipt of the County Investment Policy.

## *9. WITHDRAWALS*

No withdrawals from the Marin County Pool shall be made for the purpose of investing and or depositing those funds outside the pool without the prior approval of the Marin County Director of Finance. The Director of Finance shall evaluate each proposed withdrawal to assess the effect the withdrawal will have upon the stability and predictability of the investments in the County Treasury. Approval shall be given unless the withdrawal will adversely affect the interests of the other depositors. Requests for withdrawals for the purpose of investing or depositing funds outside the pool shall be made in writing at least ten (10) business days in advance of the proposed withdrawal date. Notice in writing of at least five (5) business days shall be required for withdrawals in excess of $250,000.00 for loan repayments, capital expenditures and any expenditure not in the ordinary course of operations.

## *10. SWAPS*

Securities can be swapped for other approved securities with similar maturity schedules to gain higher rates of return. When a swap involves a change in liquidity, future cash needs shall be conservatively estimated.

### *11. LOSSES*

Losses are acceptable on a sale before maturity, and may be taken if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

### *12. DELIVERY & SAFEKEEPING*

Delivery of all securities shall be through a third party custodian. Non-negotiable certificates of deposit and notes of local agencies may be held in the Director of Finance's safe. The County's safekeeping agent shall hold all other securities. No security shall be held in safekeeping by the broker/dealer from whom it was purchased. Settlement payment in a securities transaction will be against delivery only, and a Due Bill or other substitution will not be acceptable. Persons authorized under section three (3) who did not originate the investment transaction shall review all confirmations for conformity with the original transaction. Confirmations resulting from securities purchased under a repurchase agreement shall state the exact and complete nomenclature of the underlying securities purchased.

### *13. APPORTIONMENT OF INTEREST & COSTS*

Interest shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. The amount of interest apportioned shall be determined using the cash method of accounting whereby interest will be apportioned for the quarter in which it was actually received. The Director of Finance shall deduct from the gross interest received those actual administrative costs relating to the management of the treasury including salaries and other compensation, banking costs, equipment purchased, supplies, costs of information services, audits and any other costs as provided by Section 27013 of the Government Code.

### *14. CONFLICT OF INTEREST*

A member of the county treasury oversight committee, the County Director of Finance or County employees working in the Treasurer's office shall not accept honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other person with whom the county treasury conducts business, that are in violation of *state* law.

### *15. AUDITS*

The County of Marin investment portfolio shall be subject to a process of independent review by the County's external auditors. The County's external auditors shall review the investment portfolio in connection with the annual county audit for compliance with the statement of investment policy pursuant to Government Code Section 27134. The results of the audit shall be reported annually to the Director of Finance and the Marin County Treasury Oversight Committee.

**15.1 Compliance Audit: Government Code Section 27134**

The Treasury Oversight Committee shall cause an annual audit to be conducted to determine the County Treasury's compliance with Article 6 of the Government Code. This audit may include issues relating to the structure of the investment portfolio and risk

.

### *16. REVIEW*

The Director of Finance and designated staff will perform a monthly review of the investment function.

### *17. REPORTS*

The Director of Finance shall prepare a monthly report listing all investments in the County Pool as of the last day of the month and a report of the average days to maturity and yield of investments in the County Pool. The Director of Finance shall also prepare a monthly report for all non-pooled investments. These reports shall be distributed to the Marin County Board of Supervisors, Superintendent of Schools, Marin Public School Agencies, Special Districts, non-pooled investors, the County's investment oversight committee, and any other participant upon request.

### *18. INVESTMENT POLICY*

The County Director of Finance shall prepare and submit an annual statement of investment policy to the Board of Supervisors.

### *19. TREASURY OVERSIGHT COMMITTEE*

Consistent with State law the County has established a Treasury Oversight Committee. The Committee includes representatives from the County of Marin, Superintendent of Schools' Office, School Districts and Special Districts. The Committee shall review and monitor the Investment Policy as contained in California Government Code Sections 27130 – 27137.

### *20. DISASTER /BUSINESS CONTINUITY PLAN*

The County of Marin's banking and investment functions are mission critical and as such, the office must have a business continuity plan.

The goal of a disaster/business recovery plan is to protect and account for all funds on deposit with the county treasury and to be able to continue our banking and investment functions for all participants in the event of an occurrence (Earthquake, Fire, Pandemic or other event) which disrupt normal operations. Our plan provides for the ability to perform our banking and investment function at an off-site location under less than optimal conditions and, if needed, even outside our county.

In the event of an occurrence which precludes staff from being able to operate from our office, the attached plan (exhibit 2) will be activated. The plan includes:

- Scope
- Chain of Command
- Continuity Procedure
- Functions and Tasks to be performed
- Equipment and Emergency Packets
- Disaster Assignment
- Off-site locations

Normal processes may be modified in response to an occurrence. However, the county's investment policy shall be strictly followed.

THIS PAGE INTENTIONALLY LEFT BLANK

# APPENDIX D

# FORM OF SPECIAL COUNSEL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Supervisors of the
County of Marin
3501 Civic Center Drive
San Rafael California 94903

OPINION: $80,140,000 Certificates of Participation (2015 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the County of Marin, as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

---

Members of the Board of Supervisors:

We have acted as special counsel in connection with the delivery by the County of Marin (the "County"), of its $80,140,000 Lease Agreement, dated as of July 1, 2015, by and between the Public Property Financing Corporation of California (the "Corporation") and the County (the "Lease Agreement"), pursuant to the California Government Code. The Corporation has, pursuant to the Assignment Agreement, dated as of July 1, 2015 (the "Assignment Agreement"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the County thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of July 1, 2015, by and among the Trustee, the Corporation and the County (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the County contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The County is duly created and validly existing as a political subdivision organized and existing under the laws of the State of California with the power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement has been duly authorized, executed and delivered by the County and is an obligation of the County valid, binding and enforceable against the County in accordance with its terms.

3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the County are payable from general funds of the County lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the County's compliance with certain covenants, interest with respect to the Certificates (i) is excludable from gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates. Ownership of the Certificates may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

6. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

# APPENDIX E

# SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following is a brief summary of certain provisions of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the County and from the Trustee.*

## DEFINITIONS

"*Additional Payments*" means the payments so designated and required to be paid by the County pursuant to the Lease Agreement.

"*Assignment Agreement*" means the Assignment Agreement, dated as of July 1, 2015, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

"*Board*" means the Board of Supervisors of the County.

"*Bond Counsel*" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the County of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"*Business Day*" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

"*Certificates*" means the certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

"*Closing Date*" means the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

"*Continuing Disclosure Certificate*" shall mean that certain Continuing Disclosure Certificate executed by the County and dated the date of execution and delivery of the Certificates, as it may be amended from time to time in accordance with the terms thereof.

"*Corporation*" means the Public Property Financing Corporation of California, a nonprofit, public benefit corporation organized and existing under and by virtue of the laws of the State.

"*Corporation Representative*" means the President, the Vice President, the Executive Director, the Treasurer and the Secretary of the Corporation, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Corporation under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

"*County*" means County of Marin, a public body, duly organized and existing under and by virtue of the laws of the State.

"*County Representative*" means the Chair of the Board, County Administrator, the County Director of Finance, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the County under or with respect to the Site and Facility Lease, the Lease Agreement and the Trust Agreement.

"*Defeasance Obligations*" means (a) cash, (b) direct non-callable obligations of the United States of America, (c) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, (d) Refcorp interest strips, (e) CATS, TIGRS, STRPS, and (f) defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing),

"*Delivery Costs*" means all items of expense directly or indirectly payable by or reimbursable to the County or the Corporation relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

"*Delivery Costs Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Escrow Agreement*" means that certain Escrow Agreement, dated the Closing Date, by and between the County and the Escrow Bank, as originally entered into or as it may be amended or supplemented pursuant to the provisions thereof, created to provide for the refunding of the 2010 Certificates.

"*Escrow Bank*" means U.S. Bank National Association, as escrow bank under the Escrow Agreement, or any successor thereto appointed as escrow bank thereunder in accordance with the provisions thereof.

"*Escrow Fund*" means the fund by that name created and maintained by the Escrow Bank pursuant to the Escrow Agreement.

"*Event of Default*" means an event of default under the Lease Agreement.

"*Facility*" means those certain existing facilities more particularly described in the Site and Facility Lease and in the Lease Agreement.

*"Federal Securities"* means (a) Cash (insured at all times by the Federal Deposit Insurance Corporation), and (b) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) Farmers Home Administration, (iv) General Services Administration, (v) Guaranteed Title XI financing, (vi) Government National Mortgage Association (GNMA), and (vi) State and Local Government Series.

"*Fiscal Year*" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the County as its fiscal year.

"*Independent Counsel*" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the County or the Trustee.

"*Information Services*" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at http://emma.msrb.org) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

"*Insurance and Condemnation Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Interest Payment Date*" means the first (1st) day of May and November in each year, commencing November 1, 2015, so long as any Certificates are Outstanding.

"*Lease Agreement*" means that certain agreement for the lease of the Property by the Corporation to the County, dated as of July 1, 2015, together with any duly authorized and executed amendments thereto.

"*Lease Payment Date*" means the fifteenth (15th) day of April and October in each year during the Term of the Lease Agreement, commencing October 15, 2015.

"*Lease Payment Fund*" means the fund by that name established and held by the Trustee pursuant the Trust Agreement.

"*Lease Payments*" means the total payments required to be paid by the County pursuant to the Lease Agreement, including any prepayment thereof pursuant to the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in the Lease Agreement.

"*Moody's*" means Moody's Investors Service, New York, New York, or its successors.

"*Net Proceeds*," when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"*Original Purchaser*" means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

"*Outstanding,*" when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"*Owner*" or "*Certificate Owner*" or "*Owner of a Certificate,*" or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered on the Registration Books.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"*Permitted Encumbrances*" means, as of any particular time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) the Assignment Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the County certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Corporation and the County agree in writing do not reduce the value of the Property.

"*Permitted Investments*" means any of the following:

(a) Federal Securities;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank, (ii) Rural Economic Community Development Administration, (iii) U.S. Maritime Administration, (iv) Small Business Administration, (v) U.S. Department of Housing & Urban Development (PHAs), (vi) Federal Housing Administration, and (vii) Federal Financing Bank;

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), (ii) obligations of the Resolution Funding Corporation (REFCORP), and (iii) senior debt obligations of the Federal Home Loan Bank System;

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, which may include the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliate or subsidiary of the Trustee, provide investment advisory or other management services;

(g) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or (B) (i) which are fully secured as to principal, interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal, interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal, interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and S&P;

(i) the Local Agency Investment Fund maintained by the State of California; and

(j) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

"*Principal Corporate Trust Office*" means the corporate trust office of the Trustee located at One California Street, Suite 1000, San Francisco, CA 94111, Attention: Global Corporate Trust Services, or such other office designated by the Trustee from time to time.

"*Proceeds*," when used with reference to the Certificates, means the face amount of the Certificates, less original issue discount.

"*Project Costs*" means all costs of payment of, or reimbursement for, the 2015 Project.

"*Project Fund*" means the fund by that name established and held by the County pursuant to the Trust Agreement.

"*Property*" means, collectively, the Site and the Facility.

"*Rating Category*" means, with respect to any Permitted Investment, one of the generic categories of rating by Moody's or S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"*Registration Books*" means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"*Regular Record Date*" means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

"*Rental Period*" means each twelve-month period during the Term of the Lease Agreement commencing on November 2 in any year and ending on November 1 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on November 1, 2015.

"S&*P*" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and its successors.

"*Securities Depositories*" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

"*Site*" means that certain real property more particularly described in the Site and Facility Lease and the Lease Agreement.

"*Site and Facility Lease*" means the Site and Facility Lease, dated as of July 1, 2015, by and between the County, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

"*State*" means the State of California.

"*Term of the Lease Agreement*" means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

"*Trust Agreement*" means the Trust Agreement, dated as of July 1, 2015, by and among the County, the Corporation and the Trustee, together with any duly authorized amendments thereto.

"*Trustee*" means U.S. Bank National Association, or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

"*2010 Certificates*" means the County's outstanding Certificates of Participation (2010 Financing Project).

"*2015 Project*" means the renovations, repairs, construction and improvements to County facilities and infrastructure, more particularly described in the Trust Agreement.

## SITE AND FACILITY LEASE

The Site and Facility Lease is entered into between the County and the Corporation. The County agrees to lease the Site and the Facility to the Corporation for a term continuous with the term of the Lease Agreement. The County and the Corporation agree that the lease to the Corporation of the County's right, title and interest in the Site and the Facility pursuant to the Site and Facility Lease serves the public purposes of the County by enabling the Corporation to lease the Site and Facility back to the County.

## LEASE AGREEMENT

### Deposit of Money

On the Closing Date, the Corporation shall cause to be deposited with the Trustee the net proceeds of sale of the Certificates, of which the amount estimated to be required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, the amount estimated to be required to pay Project Costs shall be transferred to the County for deposit in the Project Fund and the amount, together with other moneys, required to refund the 2010 Certificates, shall be transferred to the Escrow Bank for deposit in the Escrow Fund.

### Payment of Delivery Costs

Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

### Payment of Project Costs

Payment of Project Costs shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

**Lease**

The Corporation leases the Property to the County, and the County leases the Property from the Corporation, upon the terms and conditions set forth in the Lease Agreement. The leasing of the Property by the County to the Corporation pursuant to the Site and Facility Lease shall not affect or result in a merger of the County's leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

**Term of Agreement; Possession**

The Term of the Lease Agreement shall commence on the Closing Date, and shall end on November 1, 2045, unless such term is extended. If, on November 1, 2045, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to the Lease Agreement until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond November 1, 2055. If, prior to November 1, 2045, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Corporation of the termination of the Lease Agreement pursuant to the Trust Agreement.

The County agrees to accept and take possession of the Property on or prior to the date of recordation of the Lease Agreement. The first Lease Payment shall be due on October 15, 2015.

**Lease Payments**

*Obligation to Pay*. The County agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

*Effect of Prepayment*. In the event that the County prepays all remaining Lease Payments and all additional payments due under the Lease Agreement in full, the County's obligations under the Lease Agreement shall thereupon cease and terminate including, but not limited to, the County's obligation to pay Lease Payments under the Lease Agreement; subject however, to the provisions of the Lease Agreement in the case of prepayment by application of a security deposit. In the event that the County optionally prepays the Lease Payments in part but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the County in integral multiples of $5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed pursuant to the Trust Agreement.

*Rate on Overdue Payments*. In the event the County should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the County until the amount in default shall have been fully paid and the County agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund.

*Fair Rental Value*. The Lease Payments for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the County in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties to the Lease Agreement have agreed and determined that the total Lease Payments represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the County and the general public.

*Source of Payments; Budget and Appropriation*. Lease Payments shall be payable from any source of available funds of the County. The County covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for additional payments due under the Lease Agreement. To that end, the Board of Supervisors shall direct budgetary staff to include in each annual budget proposal to the Board of Supervisors an appropriation sufficient to pay Lease Payments and Additional Payments. The County expresses its present intent to appropriate Lease Payments and additional payments due under the Lease Agreement during the Term of the Lease Agreement. The covenants on the part of the County contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the County.

*Assignment*. The County understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the County assents to such assignment. The Corporation directs the County, and the County agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the County pursuant to the Lease Agreement.

**Additional Payments**

In addition to the Lease Payments, the County shall pay when due the following additional payments:

(a) Any fees and expenses incurred by the County in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the County, the Corporation or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Trust Agreement;

(d) Any reasonable out-of-pocket expenses of the County in connection with the execution and delivery of the Lease Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Corporation in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated or thereby, or incurred by the Corporation in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

**Title**

During the Term of the Lease Agreement, the Corporation shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the County at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the County pursuant to the Lease Agreement.

If the County prepays the Lease Payments in full or makes the security deposit permitted by the Lease Agreement, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Corporation in and to the Property shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the County to consummate any such transfer of title.

**Maintenance, Utilities, Taxes and Assessments**

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County and the County shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the County or any assignee or sublessee thereof. In exchange for the Lease Payments, the Corporation agrees to provide only the Property. The County waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the County under the terms of the Lease Agreement.

The County shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the County affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The County may, at the County's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the County that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the County shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The County shall provide the Corporation with written notice of any such contest and shall provide such updates on the contest as the Corporation may reasonably request.

**Modification of Property**

The County shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The County will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the County pursuant to the Lease Agreement; provided that if any such lien is established and the County shall first notify the Corporation of the County's intention to do so, the County may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the County.

**Insurance**

*Public Liability and Property Damage Insurance.* The County shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Corporation, the County and the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the County, and may be maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the County. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the County and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the County. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

*Fire and Extended Coverage Insurance.* The County shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Except as provide below, such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss. The Property is fully insured against earthquake risk, subject to a 5% deductible. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the County and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. The County may not satisfy the requirements of the Lease Agreement for fire and extended coverage insurance with self-insurance.

*Rental Interruption Insurance.* The County shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the County and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The County may not satisfy the requirements of the Lease Agreement for rental interruption insurance with self-insurance.

*Title Insurance*. The County shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the County's leasehold estate in the Property, subject only to Permitted Encumbrances.

*Insurance Net Proceeds; Form of Policies*. Each policy or other evidence of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease Agreement, shall name the Trustee as an additional insured and shall be applied as provided in the Lease Agreement. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company. The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease Agreement, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The County shall cause to be delivered annually on or before each September 1 to the Trustee a certification, signed by a County Representative, stating compliance with the provisions of the Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The County shall have the adequacy of any insurance reserves maintained by the County or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each September 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

**Tax Covenants**

*Private Activity Bond Limitation*. The County shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

*Federal Guarantee Prohibition*. The County shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

*Rebate Requirement*. The County shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

*No Arbitrage*. The County shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

*Maintenance of Tax-Exemption*. The County shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

**No Condemnation**

The County covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the County will not exercise the power of condemnation with respect to the Property. The County further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the County should fall or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the

Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

**Eminent Domain**

If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the County and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds available for the payment of Lease Payments.

**Application of Net Proceeds**

*From Insurance Award*. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the County to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in the Trust Agreement.

*From Eminent Domain Award*. The Net Proceeds of any eminent domain award shall be paid by the County to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

*From Title Insurance*. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

**Abatement of Lease Payments in the Event of Damage or Destruction**

Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the County of the Property or any portion thereof to the extent to be agreed upon by the County and the Corporation and communicated by a County Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties, or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a County Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the County waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

**Access to the Property**

The County agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The County further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the County to perform its obligations under the Lease Agreement.

**Release and Indemnification Covenants**

The County shall and agrees to indemnify and save the Corporation and the Trustee and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the County, (ii) any breach or default on the part of the County in the performance of any of its obligations under the Lease Agreement or the Trust Agreement, (iii) any act or omission of the County or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the County with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under the Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made in the Lease Agreement for willful misconduct, negligence or breach of duty under the Lease Agreement by the Corporation, its officers, agents, directors, employees, successors or assigns.

**Assignment by the Corporation**

The Corporation's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the County under the Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

**Assignment and Subleasing by the County**

The Lease Agreement may not be assigned by the County. The County may sublease the Property or any portion thereof, but only with the written consent of the Corporation and subject to, and delivery to the Corporation of a certificate as to, all of the following conditions:

(a) The Lease Agreement and the obligation of the County to make Lease Payments shall remain obligations of the County;

(b) The County shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the County shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(d) The County shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

**Amendment of Lease Agreement**

(a) *Substitution of Site or Facility.* The County shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the County shall satisfy all of the following requirements (to the extent applicable) which are declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the County shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the County shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the County shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the County shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The County shall certify in writing to the Corporation and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the County, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the County is permitted to lease under the laws of the State;

(vi) The County delivers to the Corporation and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the County to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(viii) The County shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The County shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the County as was the Former Site and/or the Former Facility;

(x) The County shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the County or the Corporation; and

(xi) The County shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

(b) *Release of Site*. The County shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the County shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The County shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The County delivers to the Corporation and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Site, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the County to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(iv) The County shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release; and

(v) The County shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the County or the Corporation.

(c) *Generally*. The Corporation and the County may at any time amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (b) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the County;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Corporation and the County may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

**Events of Default and Remedies**

*Events of Default*. The following shall be "events of default" under the Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Failure by the County to pay any Lease Payment or other payment required to be paid at the time specified.

(b) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Corporation, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

*Remedies on Default.* The Trustee shall have the right to re-enter and re-let the Property and to terminate the Lease Agreement.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the County is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the County shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for below, the County agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Corporation. The County irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to enter upon and re-lease the Property in the event of default by the County in the performance of any covenants contained in the Lease Agreement to be performed by the County and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Riverside County, for the account of and at the expense of the County, and the County exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The County waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the County that may be in or upon the Property. The County agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner provided for in paragraph (b) below.

(b) In an Event of Default, the Corporation at its option may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Corporation at its option and in the manner provided in the Lease Agreement on account of default by the County (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the County nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the County shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the County of the election on the part of the Corporation to terminate the Lease Agreement. The County covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

*No Remedy Exclusive*. No remedy is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in the Lease Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

**Security Deposit**

Notwithstanding any other provision of the Lease Agreement, the County may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a County Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such County Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid County Representative's certificate.

In the event of a deposit pursuant as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the County under the Lease Agreement shall cease and terminate, excepting only the obligation of the County to make, or cause to be made, all payments from the deposit made by the County and the obligations of the County pursuant to the Lease Agreement and title to the Property shall vest in the County on the date of said deposit automatically and without further action by the County or the

Corporation. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the County for the Property. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions of the Lease Agreement. In addition, the Corporation appoints the County as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the County.

**Prepayment**

*Optional Prepayment*. The Corporation grants an option to the County to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised with respect to Lease Payments due on and after October 15, 2027 in whole or in part on any date, commencing October 15, 2026. Said option shall be exercised by the County by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the County. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

*Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain*. The County shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose. The County and the Corporation agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the County's obligations under the Lease Agreement. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

## ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Corporation and the Trustee, pursuant to which the Corporation assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Corporation under the Lease Agreement, including the right to receive Lease Payments under the Lease Agreement and the rights and remedies of the Corporation under the Lease Agreement to enforce payment of Lease Payments or otherwise to protect and enforce the Lease Agreement in the event of default by the County. Certain rights of the Corporation to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

## TRUST AGREEMENT

**Delivery Costs Fund; Payment of Delivery Costs**

There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee on receipt of a sequentially numbered requisition, signed by a County Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon written notice from a County Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the County for deposit in the Project Fund and applied for the purposes of such fund, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the County.

**Project Fund; Payment of Project Costs**

There shall be deposited in the Project Fund from the proceeds of the Certificates the amount required to be deposited therein, together with any other amounts from time to time deposited therein. Amounts in the Project Fund shall be disbursed for Project Costs.

Unexpended moneys remaining in the Project Fund, if any, upon completion of the 2015 Project, shall be transferred by the County to the Trustee for deposit in the Lease Payment Fund and applied to pay the Lease Payments as the same become due and payable and the Project Fund shall be closed.

**Assignment of Rights in Lease Agreement**

The Corporation has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Corporation's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

**Lease Payment Fund**

All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the County nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the County.

**Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award**

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the County in the event of any such damage or destruction shall be paid to the Trustee by the County pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the County shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the County, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the County's determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates as provided in the Trust Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a County Representative and an Corporation Representative.

(d) In the event the County's determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the County, and disbursed by the Trustee upon receipt of requisitions signed by a County Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the County.

**Application of Net Proceeds of Eminent Domain Award**

If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the County has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the County to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the County shall so certify to the Trustee and the Trustee, at the County's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

(b) If the County has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the County to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the County shall so certify to the Trustee and the Trustee, at the County's written request, shall pay to the County, or to its order, from said proceeds such amounts as the County may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the County Representative in the form and containing the provisions set forth in the Trust Agreement. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the County has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the County to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

**Application of Net Proceeds of Title Insurance Award**

The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

**Moneys in Funds; Investment**

*Held in Trust*. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the County or any Owner of Certificates.

*Investments Authorized*. Moneys held by the Trustee under the Trust Agreement shall, upon written order of a County Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a County Representative as Permitted Investments without independent investigation thereof. If a County Representative shall fail to so direct investments, the Trustee shall invest the affected moneys in Permitted Investments described in paragraph (g) of the definition thereof. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

*Allocation of Earnings*. Unless and until otherwise directed by the County to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall as received, prior to the Completion Date, be transferred to the County for deposit in the Project Fund (except as otherwise provided in the Trust Agreement) and thereafter shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund shall be applied as a credit against the Lease Payment due by the County pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest or income in the Project Fund shall be retained in the Project Fund until the Project Fund is closed. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed.

**Amendments**

The Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the County, (2) to cure, correct or supplement any ambiguous or defective provision contained therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto, as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

**Certain Covenants**

*Compliance With and Enforcement of Lease Agreement*. The County covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The County will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Corporation thereunder. The

Corporation and the County, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the County or the Corporation, will deliver the same, or a copy thereof, to the Trustee.

*Observance of Laws and Regulations*. The County and the Corporation will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the County or the Corporation, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

*Budgets*. The County shall supply to the Trustee as soon as practicable, but not later than September 15 in each year, a written determination by a County Representative that the County has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the County to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

*Continuing Disclosure*. The County covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Limitation of Liability**

*Limited Liability of County*. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the County contained in the Lease Agreement and the Trust Agreement, the County shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

*No Liability of County or Corporation for Trustee Performance*. Neither the County nor the Corporation shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

*Indemnification of Trustee*. The County shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Corporation or the County; (ii) any breach or default on the part of the Corporation or the County the performance of any of their respective obligations under the Lease Agreement, the Assignment Agreement, the Trust Agreement and any other agreement made and entered into for purposes of the Property; (iii) any act of the Corporation or the County or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property; (iv) any act of any assignee of, or purchaser from the Corporation or the County or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property; (v) the authorization of payment of Delivery Costs; (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Corporation or the County including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property; (vii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement or as assigned to it under the Assignment Agreement; (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the County; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under the Trust Agreement. No indemnification will be made under the Trust Agreement for willful misconduct or negligence under the Trust Agreement by the Trustee, its officers, affiliates or employees. The County's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

*Assignment of Rights; Remedies*. Pursuant to the Assignment Agreement, the Corporation has transferred, assigned and set over to the Trustee certain of the Corporation's rights in and to the Lease Agreement, including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee shall, upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

# APPENDIX F

# DTC'S BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the County takes no responsibility for the completeness or accuracy 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 or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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 Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix E, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the paying agent or bond 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 paying agent or bond trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the County or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. 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.

# APPENDIX G

# FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the COUNTY OF MARIN (the "County") in connection with the execution and delivery of $80,140,000 County of Marin, California, Certificates of Participation (2015 Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2015, by and among U.S. Bank National Association, as trustee (the "Trustee"), the County and the Public Property Financing Corporation of California (the "Trust Agreement"). The County covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*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 (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"*Dissemination Agent*" shall mean Willdan Financial Services or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation. In the absence of such a designation, the County shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean any original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The County shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the County's fiscal year (which currently ends on June 30), commencing with the report for the 2014-15 Fiscal Year, which is due not later than March 31, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that 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.

(b) *Change of Fiscal Year*. 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(b), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the County.

(d) *Report of Non-Compliance*. If the County is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the County shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the County is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the County for the preceding fiscal year, prepared in accordance generally accepted accounting principles. 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 and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the County, the Annual Report shall also include financial and operating data with respect to the County for preceding fiscal year, as follows:

(i) General Fund Budget;

(ii) General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance;

(iii) Historical Taxable Sales and Sales Tax Receipts;

(iv) Assessed Valuation;

(v) Secured Tax Levies and Delinquencies;

(vi) Ten Largest Taxpayers;

(vii) General Fund Long-Term Debt Outstanding;

(viii) Employer Contribution Rates to Retirement System, UAAL and Funded Ratios –Safety Plan; and

(ix) Employer Contribution Rates to Retirement System, UAAL and Funded Ratios –Miscellaneous Plan.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which are available to the public on EMMA. The County shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the County shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The County shall, or shall cause the Dissemination Agent (if not the County) to, give notice of the occurrence of any of the following events with respect to the Certificates:

(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) Defeasances.

(6) Rating changes.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

(1) Non-payment related defaults.

(2) Modifications to rights of security holders.

(3) Bond calls.

(4) The release, substitution, or sale of property securing repayment of the securities.

(5) 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.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The County shall, or shall cause the Dissemination Agent (if not the County) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the County obtains knowledge of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates under the Trust Agreement.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the County, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the County. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the County shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the County.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid reasonable compensation by the County for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the County from time to time and all reasonable expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the County, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the County or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the County. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the County that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the County shall describe such amendment or waiver in the next following 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(c), 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any 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 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Trust Agreement. The obligations of the County under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: [Closing Date]

COUNTY OF MARIN

By ____________________________________________
Authorized Officer

ACKNOWLEDGED:

WILLDAN FINANCIAL SERVICES, as
Dissemination Agent

By ________________________________________
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Marin County, California

Name of Issues: Certificates of Participation (2015 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the County of Marin, as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by ____________________.

Date: ____________________

WILLDAN FINANCIAL SERVICES,
Dissemination Agent

By ________________________________________
Authorized Officer

THIS PAGE INTENTIONALLY LEFT BLANK