NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: S&P: "AA": (insured)
"A" (underlying)
See "Ratings" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014 Bonds. See "Tax Matters" herein.

$4,985,000
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
LEASE REVENUE BONDS (FACILITIES EXPANSION PROJECT)
(COUNTY OF KINGS, CALIFORNIA)
SERIES 2014

Dated: Date of Delivery

Due: June 1, as shown on the inside cover page

The California Statewide Communities Development Authority Lease Revenue Bonds (Facilities Expansion Project) (County of Kings, California) Series 2014 (the "Series 2014 Bonds") are being issued in the aggregate principal amount of $4,985,000 pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Marks-Roos Law") and an Indenture, dated as of July 1, 2014 (the "Indenture"), by and among the California Statewide Communities Development Authority (the "Authority"), the County of Kings (the "County") and Wilmington Trust, N.A. as trustee (the "Trustee"). The proceeds of the Series 2014 Bonds will be used to (i) finance the acquisition, construction and improvement of certain jail facilities in the County, (the "Project"), (ii) fund a reserve fund (with the Reserve Policy described here), (iii) and pay certain costs of issuance incurred in connection with the Series 2014 Bonds. See "THE PROJECT" herein.

Principal of and interest on the Series 2014 Bonds are payable from Base Rental Payments (herein defined) to be made by the County pursuant to the Facility Lease, dated as of July 1, 2014 (the "Facility Lease"), by and between the Authority and the County, in consideration for the use and occupancy of the Leased Property, as more particularly described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Base Rental Payments" herein. The Series 2014 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2014 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2014.

The Series 2014 Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2014 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2014 Bonds. Ownership interests in the Series 2014 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2014 Bonds purchased. Payments of principal of and interest on the Series 2014 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2014 Bonds, as more fully described herein. See "THE SERIES 2014 BONDS – General" and Appendix D – "BOOK-ENTRY SYSTEM" herein.

The Series 2014 Bonds are subject to optional, extraordinary and mandatory redemption as described herein. See "The Series 2014 Bonds – Redemption" herein.

The scheduled payment of principal of and interest on the Series 2014 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2014 Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "BOND INSURANCE" herein.

The Series 2014 Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues (as described herein) derived from Base Rental Payments paid by the County pursuant to the Facility Lease for the use and possession of the Leased Property (herein defined) as long as the County has such use and possession of the Leased Property. All bonds issued pursuant to the Indenture are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture, subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Series 2014 Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2014 Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

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

The Series 2014 Bonds will be offered when, as and if executed, delivered, and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the County by the County Counsel and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is anticipated that the Series 2014 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about July 9, 2014.

CITIGROUP **STIFEL**

Dated: June 26, 2014.

$4,985,000
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
LEASE REVENUE BONDS (FACILITIES EXPANSION PROJECT)
(COUNTY OF KINGS, CALIFORNIA)
SERIES 2014

MATURITY SCHEDULE

BASE CUSIP No.†: 13077L

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2016	$265,000	3.000%	0.600%	BV5
2017	275,000	4.000	0.970	BW3
2018	285,000	4.000	1.310	BX1
2019	295,000	5.000	1.660	BY9
2020	310,000	5.000	1.980	BZ6
2021	325,000	5.000	2.290	CA0
2022	345,000	5.000	2.560	CB8
2023	360,000	5.000	2.790	CC6
2024	380,000	5.000	2.960	CD4
2025	395,000	5.000	3.130*	CE2
2026	415,000	3.250	3.480	CF9
2027	430,000	3.375	3.620	CG7
2028	445,000	3.500	3.710	CH5
2029	460,000	3.625	3.790	CJ1

† CUSIP data, copyright American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The Authority, the County and the Underwriters assume no responsibility for its accuracy.

* Yield to call at 100% of par on June 1, 2024.

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APPENDICES:

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the County or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2014 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

In connection with the offering of the Series 2014 Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of such Series 2014 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2014 Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The County maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2014 Bonds.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2014 Bonds or the advisability of investing in the Series 2014 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and Appendix G – "SPECIMEN INSURANCE POLICY".

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COUNTY OF KINGS, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

Joe Neves	District One
Richard Valle	District Two
Doug Verboon	District Three
Tony Barba	District Four
Richard Fagundes	District Five

******

THE COUNTY OF KINGS OFFICIALS

Larry Spikes, *County Administrative Officer*
Colleen Carlson, *County Counsel*
Rebecca Carr*, Director of Finance*

******

SPECIAL SERVICES

Bond Counsel
Orrick, Herrington & Sutcliffe LLP

Trustee
Wilmington Trust, N.A.

Financial Advisor
Bando Public Finance LLC

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$4,985,000
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
LEASE REVENUE BONDS (FACILITIES EXPANSION PROJECT)
(COUNTY OF KINGS, CALIFORNIA)
SERIES 2014

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2014 Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Indenture and the Facility Lease (herein defined). See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS" attached hereto.

General

This Official Statement, including the cover page, the inside cover page and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the issuance of $4,985,000 aggregate principal amount of California Statewide Communities Development Authority Lease Revenue Bonds (Detention Facility Expansion Financing Project) (County of Kings, California), Series 2014 (the "Series 2014 Bonds"), which are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Mark-Roos Law") and an Indenture, dated as of July 1, 2014 (the "Indenture"), by and among the California Statewide Communities Development Authority (the "Authority"), the County of Kings (the "County") and Wilmington Trust, N.A. as trustee (the "Trustee").

The proceeds of the Series 2014 Bonds will be used to (i) finance the acquisition, construction and improvement of certain County facilities (the "Project"), (ii) fund a reserve fund (with the Reserve Policy described herein) and (iii) pay certain costs of issuance incurred in connection with the Series 2014 Bonds. See "THE PROJECT" herein.

The County will lease certain real property, as more particularly described herein (collectively, the "Leased Property"), to the Authority pursuant to a Site Lease, dated as of July 1, 2014 (the "Site Lease"), by and between the County and the Authority. See "THE LEASED PROPERTY" herein. The County will sublease the Leased Property from the Authority pursuant to a Facility Lease, dated as of July 1, 2014 (the "Facility Lease"), by and between the County and the Authority.

For additional information regarding the County, see Appendix A – "COUNTY OF KINGS FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION" and Appendix B – "COUNTY OF KINGS ANNUAL BASIC FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

Security and Sources of Payment for the Series 2014 Bonds

Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make certain payments designated as Base Rental Payments (the "Base Rental Payments") and certain other payments designated as Additional Payments with respect to the Leased Property (the "Additional Payments"), in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2014 Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year (an "Operating Budget") commencing after the date of the Facility Lease and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Pursuant to an Assignment Agreement, dated as of July 1, 2014 (the "Assignment Agreement"), by and between the Trustee and the Authority, the Authority will assign to the Trustee, for the benefit of the Owners of the Series 2014 Bonds all of its right, title and interest in and to the Facility Lease, including the right to receive Base Rental Payments under the Facility Lease. See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Facility Lease" and "– The Indenture" attached hereto.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2014 BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The County's obligation to pay Base Rental Payments is subject to abatement. However, during periods of abatement, any moneys in the Revenue Fund or in the Reserve Fund and amounts, if any, received from rental interruption insurance are available for payments in respect of the Series 2014 Bonds. See "Security and Sources of Payment for the Series 2014 Bonds – Base Rental Payments" and "– Abatement" herein.

The Series 2014 Bonds

The Series 2014 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2014 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2014 (each an "Interest Payment Date"). See "The Series 2014 Bonds" herein and Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

The Series 2014 Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2014 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2014 Bonds. Ownership interests in the Series 2014 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2014 Bonds purchased. Payments of principal of and interest on the Series 2014 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2014 Bonds, as more fully described herein. See "The Series 2014 Bonds – General" and Appendix D – "BOOK-ENTRY SYSTEM" herein.

The Series 2014 Bonds are subject to optional, extraordinary and mandatory redemption as described herein. See "The Series 2014 Bonds – Redemption" herein.

In addition to the Series 2014 Bonds, the County and the Authority may from time to time issue additional bonds (the "Additional Bonds") pursuant to a Supplemental Indenture without the consent of the Owners of the Series 2014 Bonds, payable from the Revenues on a parity with the Series 2014 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS - Additional Bonds" and Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – The Bonds – Execution and Delivery of Additional Bonds" and " – Proceedings for Authorization of Additional Bonds" attached hereto.

The Series 2014 Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues. All Bonds issued pursuant to the Indenture (the "Bonds") are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Series 2014 Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2014 Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014 Bonds. See "TAX MATTERS" herein.

Insurance Policy

The payment of principal of and interest on the Series 2014 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the issuance of the Series 2014 Bonds by Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" herein and Appendix G – "SPECIMEN INSURANCE POLICY".

Continuing Disclosure

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) (the "Rule"). See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the annual report and notices o enumerated events and a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made.

Forward-Looking Statements

Certain statements included or incorporated by reference in the Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are believed to be reasonable, there can be no assurance that such expectations will prove to be correct. Neither the County nor the Authority 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, whether or not they prove to be correct.

Miscellaneous

The Series 2014 Bonds will be offered when, as and if issued, and received by the Underwriters, subject to the approval as to their legality by Bond Counsel and certain other conditions.

The description herein of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement and any other agreements relating to the Series 2014 Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2014 Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto. Copies of the documents are on file and available for inspection at the Corporate Trust Office of the Trustee at Wilmington Trust, N.A., Corporate Client Services, 650 Town Center Drive, Suite 600, Costa Mesa, California 92626-7121.

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

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

THE LEASED PROPERTY

Pursuant to the Facility Lease, the County will sublease from the Authority the Leased Property, which consists of four buildings located on a portion of a 70.43 acre parcel, generally known as the Kings County Government Center, at 1400 West Lacey Boulevard, Hanford, California 93230. Each of these buildings are currently occupied and used by the County for governmental purposes.

The four buildings include the Administration Building, Engineering Building, Finance Building, and Services Building, and such buildings are described below:

- The Administration Building was completed in 1978, is 12,100 square feet, and contains the County Administrative Office and the elected Board of Supervisors. There is also a Multi-Purpose room in the building that is used by all County departments. The Administration Building has an insured value of $2,228,015.

- The Engineering Building was completed in 1973, is 17,557 square feet, and contains the Community Development Agency (planning and building), Information Technology, and Public Works Departments. The data center is located within the building that maintains the County network infrastructure and servers for public safety. The Engineering Building has an insured value of $3,137,797.

- The Finance Building was completed in 1978, is 17,507 square feet, and contains the County Assessor, Elections, Finance Department (Auditor and Tax Collector), and Human Resources Department for the County. The Finance Building has an insured value of $3,042,780.

- The Services Building was completed in 1978, is 11,664 square feet, and contains the Central Services (includes Mail Receiving Center), Minors Advocacy, and the Sheriff's Dispatch Center. A computer lab is also located there that is used by the Information Technology Department. The Services Building has an insured value of $2,614,669.

THE PROJECT

The proceeds of the Series 2014 Bonds will be used to assist the County in financing a portion of the costs of the construction of certain capital improvements that will comprise jail facilities in the County (the "Project"). **The Project is <u>not</u> part of the Leased Property.** The County will be responsible for all operating costs of the jail facilities. The remaining portion of the costs of construction of the Project will be financed by the State Public Works Board of the State of California (the "SPWB") under a program created by Assembly Bill 900, also known as Public Safety and Offender Rehabilitation Services Act of 2007 ("AB900"). The proceeds of the Series 2014 will constitute the "cash" contribution of the County required by AB900. The SPWB requires, among other things, that the County provide its cash contribution before the State approves the award of the County's construction contract. The County expects the State to approve the award of the County's construction contract following the issuance of the Series 2014 Bonds.

The Project includes the design, construction, renovations and expansion of the existing County jail located in the City of Hanford on approximately 4 acres of a greater approximately 15 acre lot of County-owned land. The expansion will create approximately 68,000 square feet of additional new housing, treatment, and program space for approximately 252 inmates.

A new two-story building will provide 8 medium and maximum security housing units-6 housing units containing a total of approximately 8 single-occupancy cells and 64 double-occupancy cells and 2 housing units containing a total of approximately 104 dormitory beds. All housing units will contain a dayroom and adjacent program space. A new recreation yard will also be constructed. The two-story building will be constructed primarily using steel and concrete for long-term durability.

The expansion will include a new medical infirmary to provide space for medical, dental, and mental health treatment and will provide approximately 12 infirmary/special use beds. In addition, the expansion will include new security and intake/booking space, administrative space, warehouse space, a central plant, laundry, and program space for rehabilitative, self-help, religion and education programs.

The Project is not being leased pursuant to the Facility Lease, and Owners of the Series 2014 Bonds will have no interest in, and may exercise no remedies with respect to, the Project. The Base Rental Payments under the Facility Lease are paid for the occupancy of the Leased Property only and the remedies under the Facility Lease apply only to the Leased Property.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2014 Bonds are expected to be applied approximately as follows:

Sources:	
Principal Amount of Series 2014 Bonds	$4,985,000.00
Net Original Issue Premium	430,373.00
Total Sources	$5,415,373.00
Uses:	
Project Fund	$5,200,000.00
Cost of Issuance[1]	215,373.00
Total Uses	$5,415,373.00

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

THE SERIES 2014 BONDS

The following is a summary of certain provisions of the Series 2014 Bonds. Reference is made to the Series 2014 Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

General

The Series 2014 Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2014 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series 2014 Bonds. Ownership interests in the Series 2014 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2014 Bonds purchased. Payments of principal of and interest on the Series 2014 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2014 Bonds, as more fully described herein. See "THE SERIES 2014 BONDS – General" and Appendix D – "BOOK-ENTRY SYSTEM" herein.

The Series 2014 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2014 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2014 and will be computed on the basis of a 360 day year comprised of twelve 30-day months. See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

The debt service on the Series 2014 Bonds will be paid from Base Rental Payments described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS" below.

Redemption

Optional Redemption. The Series 2014 Bonds maturing on or after June 1, 2025 are subject to optional redemption prior to maturity on or after June 1, 2024 at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of the Series 2014 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

Extraordinary Redemption. The Series 2014 Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Series 2014 Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption. So long as DTC is acting as securities depository for the Series 2014 Bonds, notice of redemption, containing the information required by the Indenture, will be mailed by first class mail, postage prepaid, by the Trustee to DTC (not to the Beneficial Owners of any Bonds designated for redemption) and to the Municipal Securities Rulemaking Board, at least 30 days but not more than 60 days prior to the redemption date. Such notice of redemption shall state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date thereon, and that from and after such date interest shall cease to accrue and be payable. A notice of redemption may provide (a) that the redemption is conditioned upon the occurrence of one or more events specified in the notice and (b) that such notice may be revoked, without any cause, at any time prior to the redemption date. The actual receipt by the Owner or any of DTC or the information services specified in the Indenture of any notice of such redemption shall not be a condition precedent to redemption, and neither failure to receive such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption. No Owner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Owner failed to actually receive such notice of call and redemption.

The County shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2014

Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption of Bonds. Upon surrender of any Series 2014 Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Series 2014 Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as described in accordance with the Indenture and moneys for the payment of the redemption price of the Series 2014 Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Series 2014 Bonds so called for redemption shall become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Series 2014 Bonds so called for redemption shall cease to accrue, such Series 2014 Bonds shall cease to be entitled to any benefit or security under the Indenture and the Owners and Beneficial Owners of such Series 2014 Bonds shall have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee shall, upon surrender for payment of any of the Series 2014 Bonds to be redeemed, pay such Series 2014 Bonds at the redemption price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS

Pledge of Revenues

Pursuant to the Indenture, the County has irrevocably pledged and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established pursuant to the Indenture (other than the Rebate Fund), which will be used for the punctual payment of the interest and principal of the Series 2014 Bonds and the Revenues will not be used for any other purpose while any of the Series 2014 Bonds remain Outstanding. Such pledge will constitute a first and exclusive lien on the funds established under the Indenture.

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

The Series 2014 Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues (as described herein) derived from Base Rental Payments paid by the County pursuant to the Facility Lease for the use and possession of the Leased Property as long as the County has such use and possession of the Leased Property. All Bonds issued pursuant to the Indenture are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture, subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Base Rental Payments

General. Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make Base Rental Payments and Additional Payments with respect to the Leased Property, in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2014 Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The

County is required under the Facility Lease to make Base Rental Payments subject to the provisions thereof related to abatement. Also, the County is required under the Facility Lease to pay the interest components of the Base Rental Payments (constituting interest paid on the principal components of the Base Rental Payments). The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its Operating Budget and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2014 BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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

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

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

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Base Rental Payments Schedule. The Facility Lease requires that all Base Rental Payments be paid on the 15th day of the month preceding each Interest Payment Date.

A table of annual Base Rental Payments for the Facility Lease is set forth below.

ANNUAL BASE RENTAL PAYMENTS

Year Ending (June 1)	Principal	Interest	Annual Base Rental Payments
2015	-	$188,817.22	$188,817.22
2016	$265,000	211,100.00	476,100.00
2017	275,000	203,150.00	478,150.00
2018	285,000	192,150.00	477,150.00
2019	295,000	180,750.00	475,750.00
2020	310,000	166,000.00	476,000.00
2021	325,000	150,500.00	475,500.00
2022	345,000	134,250.00	479,250.00
2023	360,000	117,000.00	477,000.00
2024	380,000	99,000.00	479,000.00
2025	395,000	80,000.00	475,000.00
2026	415,000	60,250.00	475,250.00
2027	430,000	46,762.50	476,762.50
2028	445,000	32,250.00	477,250.00
2029	460,000	16,675.00	476,675.00

Reserve Fund

The Reserve Fund shall be held by the Trustee as a separate fund. The Reserve Fund must be funded in the amount of the Reserve Fund Requirement and used and withdrawn by the Trustee solely for the purpose of funding the Interest Fund or the Principal Fund, in that order, in the event of any deficiency in either of such accounts on a Principal Payment Date or Interest Payment Date. Monies on deposit in the Reserve Fund shall be withdrawn and transferred by the Trustee to be applied for the final payment on the Series 2014 Bonds.

"Reserve Fund Requirement", as defined in the Indenture, means with respect to all Outstanding Bonds an amount equal to the lesser of (i) the maximum annual debt service attributable to the Outstanding Bonds or (ii) 125% of average annual debt service attributable to the Outstanding Bonds; provided however, that the Reserve Fund Requirement with respect to any Series of Bonds shall be the least of (i) or (ii) above, or an amount equal to, or derived by the addition of, 10% of the proceeds from the sale of such Series of Bonds to the Reserve Fund.

At the option of the County, one or more Reserve Fund Credit Facilities may be substituted for the funds held by the Trustee in the Reserve Fund such that the amount available to be drawn under such Reserve Fund Credit Facilities together with funds remaining in the Reserve Fund satisfies the Reserve Fund Requirement. The term "Reserve Fund Credit Facility" means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in the Reserve Fund in lieu of or in partial substitution for cash or securities on deposit therein; provided that the issuer or provider of any such Reserve Fund Credit Facility shall have, at the time of delivery thereof, unsecured debt obligations rated in at least the second highest rating category (without respect to any modifier) of S&P, Moody's or Fitch.

The County will fund the Reserve Fund with a Reserve Fund Debt Service Insurance Policy issued by AGM in the amount of $479,250.00 (the "Reserve Policy"). See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE - Proceeds of Bonds - Reserve Fund." In the event the rating of AGM is reduced or withdrawn so that the Reserve Policy no longer has the minimum ratings described in the definition of Reserve Fund Credit Facility above, the County is not required under the Indenture or the Facility Lease to replace such Reserve Policy, or deposit cash into the Reserve Fund in an amount equal to the Reserve Fund Requirement.

Insurance

The Facility Lease provides that the County shall secure and maintain, or cause to be secured and maintained, at all times with insurers of recognized responsibility, insurance against the risks and in the amounts set forth in the Facility Lease. Such insurance includes "all risk" insurance against loss or damage to the Leased Property, including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). Pursuant to the Facility Lease, the County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of Kings, which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000 (collectively, "Pooled Public Agencies Insurance"). The County anticipates that it will secure and maintain "all risk" insurance covering the Leased Property through an insurance policy described in the immediately preceding sentence. As a consequence, the Leased Property will not be covered through stand-alone insurance policies and will rather be covered through an insurance policy that covers multiple properties owned by varying public agencies throughout the State. If there occurs one or more losses or damages to the properties covered by that insurance policy in a fiscal year that exceeds the annual cumulative limit provided therein and there were also to occur a loss or damage to the Leased Property in the same fiscal year, then the County and the Trustee may be unable to make a claim under such insurance policy for such loss or damage and there may not otherwise be any other insurance covering such loss or damage to the Leased Property.

The Facility Lease provides that the County will also obtain rental interruption insurance with respect to the Leased Property an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; provided that such rental interruption insurance may be included in the Pooled Public Agencies Insurance. See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake. For additional information regarding the County's risk management programs, see Appendix A – "COUNTY OF KINGS FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – County Financial Information – Risk Management" and Appendix C – "SUMMARY OF PRINCIPAL LEGAL

DOCUMENTS – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2014 Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments shall not be considered an Event of Default under the Facility Lease. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

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

Substitution/Removal of Leased Property

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

The County is required to deliver the following to the Authority and the Trustee in connection with any Substitution or Removal of Leased Property:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of this Facility Lease, is at least equal to the maximum annual Base Rental Payments payable hereunder attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of this Facility Lease; and (C) stating

that the Substituted Property is of approximately the same degree of essentiality to the County as the portion of the Leased Property for which it is being substituted;

(3) An Opinion of Counsel to the effect that the amendments hereto and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable hereunder, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2014 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(6) Any Substitution or Removal is subject to the prior written consent of AGM, which consent shall not be unreasonably withheld;

(7) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Series 2014 Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(8) Evidence that the County has complied with the insurance covenants contained in the Facility Lease with respect to the Substituted Property.

Additional Bonds

In addition to the Series 2014 Bonds, the County and the Authority may from time to time issue additional bonds (the "Additional Bonds") pursuant to a Supplemental Indenture without the consent of the Owners of the Series 2014 Bonds, payable from the Revenues on a parity with the Series 2014 Bonds, the proceeds of which Additional Bonds may be used for any lawful purpose by the County, as provided in the Supplemental Indenture, but only subject to the certain specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds, including, amendment of the Facility Lease so that the Base Rental Payments payable by the County thereunder in each Fiscal Year shall be at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due provided, however, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease. The Indenture also requires in connection with the issuance of Additional Bonds the delivery of a certificate as to the annual fair rental value of the Leased Property, which certificate may assume the timely construction and completion of any additional project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee, all as set forth in the Indenture. Appendix C – "SUMMARY OF

PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – The Bonds – Execution and Delivery of Additional Bonds" and " – Proceedings for Authorization of Additional Bonds" attached hereto.

Default and Remedies

Events of Default under the Facility Lease include the following events: (1) the County fails to pay any Base Rental Payment or Additional Payments to the Trustee as required by the Facility Lease; (2) the County breaches any other terms, covenants or conditions contained in the Facility Lease or in the Indenture, and fails to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; provided, however, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

Upon the occurrence of an Event of Default, the Authority or the Trustee as its assignee may do any of the following:

(1) Terminate the Facility Lease in the manner provided in the Facility Lease on account of default by the County, notwithstanding any re-entry or re-letting of the Leased Property as described under (2) below, and to re-enter the Leased Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property.

(2) Without terminating the Facility Lease, (i) collect each Base Rental Payment installment and other amounts as they become due and enforce any other terms or provision hereof to be kept or performed by the County, regardless of whether or not the County has abandoned the Leased Property, or (ii) to exercise any and all rights of re-entry upon the Leased Property. In the event the Authority does not elect to terminate the Facility Lease as described in (1) above, the County will remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the County and, if the Leased Property are not re-let, to pay the full amount of the Base Rental Payments, Additional Payments and other amounts to the end of the term of the Facility Lease or, in the event that the Leased Property are re-let, to pay any deficiency in rent and other amounts that result therefrom; and further agrees to pay said rent and other amounts and/or deficiency rent and other amounts punctually at the same time and in the same manner as hereinabove provided for the payment of Base Rental Payments, Additional Payments and other amounts hereunder (without acceleration).

See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE FACILITY LEASE – Events of Default and Remedies" attached hereto.

THE AUTHORITY

The Authority is a joint powers agency organized pursuant to a Joint Powers Agreement among a number of California counties, cities, and special districts, entered into pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code. The Authority is authorized to issue bonds and to finance working capital for local agencies within the State of California pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code.

The Authority has entered into, sold and delivered obligations, and will in the future enter into, sell and deliver obligations, other than the Series 2014 Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Facility Lease. The holders of such obligations of the Authority have no claim on the security for the Series 2014 Bonds and the holders of the Series 2014 Bonds will have no claim on the security of such other obligations issued by the Authority.

THE COUNTY

The County, located approximately 220 miles south of San Francisco, was created in 1893 from a section of Tulare County. In 1908, one hundred square miles of territory were added to the County from Fresno County, bringing the County's total area to approximately 1,390 square miles. The County is bordered by Fresno County to the north, Kern and San Luis Obispo Counties to the south, Monterey County to the west and Tulare County to the east. There are four incorporated cities in the County: Hanford, Lemoore, Corcoran and Avenal. The City of Hanford serves as the County Seat.

Many of the County’s functions are required under County ordinances, or by State and federal mandate. State and federally mandated programs, primarily in the social and health service areas, are required to be maintained at certain minimum levels, which limits the County's control.

The County provides a wide range of services to its residents including: regional services such as probation, medical examiner, jails, elections; health, welfare and human services such as mental health, senior citizen and child welfare services; provides basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and libraries to incorporated cities by request; and provides roads for the unincorporated area of the County.

For additional information regarding the County essential to making an informed investment decision, see Appendix A – “COUNTY OF KINGS FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION” and Appendix B – “COUNTY OF KINGS AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013.”

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2014 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2014 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2014 Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 18, 2014, S&P published a Research Update report in which it upgraded AGM's financial strength rating to "AA" (stable outlook) from "AA-" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On February 10, 2014, Moody's issued a press release stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM

At March 31, 2014, AGM's policyholders' surplus and contingency reserve were approximately \$3,621 million and its net unearned premium reserve was approximately \$1,869 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, of AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; after giving effect to certain intercompany eliminations; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2014 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Series 2014 Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Series 2014 Bonds or the advisability of investing in the Series 2014 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

California law permits citizens to effect changes to the State's Constitution and statutes, without involvement by the legislature, through the initiative process. Under this process, initiative supporters submit petitions to State election officials, who are required to submit the initiative to voters if the petitions meet statutory requirements. Many provisions of State law have been added or affected by initiatives. The initiatives described as follows have materially adversely affected the County's ability to raise revenues or spend money.

Article XIII A. Article XIII A of the California Constitution limits the amount of ad valorem tax on real property to one percent of the full cash value of the real property plus amounts necessary to pay debt service on specified indebtedness approved by voters. Full cash value means "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 two percent per year, or a reduction in the consumer price index or comparable local data for the area or may be reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn.

In the general election of November 7, 1978, California voters approved an amendment to Article XIII A commonly known as Proposition 8 ("Proposition 8"). Proposition 8, among other things, generally allows the Assessor to reduce the value of a property that has been substantially damaged, destroyed, or whose value has been reduced by other factors such as economic conditions. See Appendix A – "COUNTY OF KINGS FINANCIAL ECONOMIC AND DEMOGRAPHIC INFORMATION – Levy, Tax Rate and Valuation – Proposition 8 Reductions and Appeals to Assessed Value" herein.

Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of governmental agencies. The appropriations limit for the County in each year is based on the limit for the prior year, adjusted 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, with other provisions applicable in case of emergency. The change in the cost of living is, at the County's option, either (i) the percentage change in State per capita personal income, or (ii) 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 a blended average of statewide overall population growth, and change in attendance at local school and community college districts. Article XIII B permits the County 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.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the County, exclusive of State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on specified indebtedness, appropriations required to comply with mandates of courts or the Federal government and appropriations for qualified outlay projects. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the County from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) State subventions received by the County. 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.

The County's appropriations limit for the County’s general fund for fiscal year 2013-14 is $110,155,506 and the amount subject to the limitation is $40,686,000.

Proposition 62. Provisions of State law added by the voter approval of Proposition 62 in 1986 (a) require that any new or higher taxes for general governmental purposes imposed by the County be approved by a two-thirds vote of the Board and by a majority vote of the voters of the County voting in an election on the tax, (b) require that any special tax (defined as taxes levied for other than general governmental purposes) imposed by the County be approved by a two-thirds vote of the voters of the County voting in an election on the tax, (c) restrict the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibit the imposition of ad valorem taxes on real property by the County except as permitted by Article XIII A of the California Constitution and (e) prohibit the imposition of transaction taxes and sales taxes on the sale of real property by the County.

Article XIII C. Articles XIII C and XIII D of the California Constitution were added in 1996. Article XIII C 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 require a two-thirds vote. In addition Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the County could approve initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's general fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

Article XIII D. Article XIII D imposes requirements and limitations for "assessments" for governmental services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIII D limits "fees" and "charges," defined to mean "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." Property related fees and charges (i) must not generate revenues exceeding the funds required to provide the property related service, (ii) must not be used for any purpose other than those for which the fees and charges are imposed, (iii) must be for a service actually used by, or immediately available to, the owner of the property in question, or (iv) must not be used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

Proposition 1A. 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 fiscal year 2006-07, 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 eight percent 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. 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 vehicle license fee rate currently 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 community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. See Appendix A – "COUNTY OF KINGS FINANCIAL ECONOMIC AND DEMOGRAPHIC INFORMATION – Funding by the State of California."

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 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

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

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

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

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

Future Initiatives. Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution, Proposition 62, Proposition 1A, Proposition 22 and Proposition 26 were all adopted pursuant to the State's initiative process. The limitations imposed upon the County by these provisions hinder the County's ability to raise revenues through taxes or otherwise and may therefore prevent the County from meeting increased expenditure requirements. The County expects that other initiative measures will be adopted, some of which may place further limitations on the ability of the State, the County or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the County to undertake new responsibilities. Such other initiatives could have a material adverse effect on the County's financial condition.

California law permits citizens to effect changes to the State's Constitution and statutes, without involvement by the legislature, through the initiative process. Under this process, initiative supporters submit petitions to State election officials, who are required to submit the initiative to voters if the petitions meet statutory requirements. Many provisions of State law have been added or affected by initiatives. Some of these types of initiatives have materially adversely affected the County's ability to raise revenues or spend money.

CERTAIN RISK FACTORS

General

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2014 Bonds.

The Series 2014 Bonds are payable solely from the Revenues of the Authority under the Indenture consisting primarily of the Base Rental Payments payable by the County pursuant to the Facility Lease for the beneficial use and occupancy of the Leased Property.

The practical realization of any rights upon default by the County under the Facility Lease will depend upon the exercise of various remedies specified in such instrument, as restricted by state and federal law. The federal bankruptcy laws may have an adverse effect on the ability of the Trustee to enforce its rights under the

Indenture and of the Authority to enforce its rights under the Facility Lease. See "Default and Remedies" and "Limitation on Remedies; Enforcement of Remedies; No Acceleration" herein.

In certain situations, with the consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds, certain amendments to the Indenture and the Facility Lease may be made. Such amendments could affect the security of the Bondholders.

Future economic and other conditions may adversely affect the value or essential nature of the Leased Property and, consequently, the value of the Leased Property to the Authority in exercising available remedies upon default by the County. In addition, there are certain other factors discussed herein as a result of which certain remedies available to the Trustee or the Authority may not be a viable option.

Limited Obligation

The Series 2014 Bonds are limited obligations of the Authority and are payable solely from the Revenues and certain other funds as provided under the Indenture, and the Authority is not obligated to pay the principal of or the interest on the Series 2014 Bonds except from the Revenues. The Series 2014 Bonds are not a debt of the County or any member of the Authority, and neither the County nor any member of the Authority is liable thereon, nor in any event will the Series 2014 Bonds be payable out of or secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues and certain other funds as provided under the Indenture. Neither the full faith and credit of the Authority, the County nor any member of the Authority is pledged for the payment of the principal of or interest on the Series 2014 Bonds nor for the payment of Base Rental Payments. The Authority has no taxing power.

Base Rental Payments

General. The Base Rental Payments due under the Facility Lease (including insurance, payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges and assessments levied against the Leased Property) are not secured by any pledge of taxes or other revenues of the County but are payable from any funds lawfully available to the County. The County will incur other obligations in the future payable from the same sources as the Base Rental Payments. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other County services before making Base Rental 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 limitation on appropriations under Article XIIIB of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII B."

Covenant to Budget and Appropriate. Pursuant to the Facility Lease, the County covenants to take such action as may be necessary to include Base Rental Payments due in its annual budgets and to make the necessary annual appropriations for all such payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Base Rental 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 issuance of the Series 2014 Bonds, Bond Counsel will render its opinion (substantially in the form of Appendix E attached hereto) to the effect that, subject to the limitations and qualifications described therein, the Facility Lease constitutes a valid and binding obligation of the County. As to the Trustee's or the Authority's practical realization of remedies upon default by the County, see "Default and Remedies" and "Limitations on Remedies; No Acceleration" herein.

Abatement

The obligation of the County under the Facility Lease to make Base Rental Payments is in consideration for the use and right of occupancy of the Leased Property. Under certain circumstances, the County's obligation to make Base Rental payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the County, by reason of material damage, destruction or condemnation of such Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof. See " SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Abatement."

In the case of abatement relating to a Leased Property, the amount of annual rental abatement would be such that the resulting Base Rental Payments in any year during which such interference continues do not exceed the annual fair rental value of the portions of such Leased Property with respect to which there has not been substantial interference. Such abatement would continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of such Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the Facility Lease will be extended by the period during which the rental is abated under such Facility Lease, except that such extension will in no event extend June 1, 2052. Proceeds of rental interruption insurance may be used by the Trustee to make payments on the Series 2014 Bonds in the event Base Rental payments received by the Trustee are insufficient to pay principal of or interest on the Series 2014 Bonds as such amounts become due. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Insurance."

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental Payments and the resulting Base Rental Payments, together with any available insurance proceeds, are insufficient to make all payments with respect to the Series 2014 Bonds during the period that such Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Facility Lease or Indenture for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest on the Series 2014 Bonds as a result of abatement of the County's obligation to make Rental Payments under the Facility Lease is not an event of default under the Trust Agreement or the related Facility Lease.

Notwithstanding the provisions of the Facility Lease and the Indenture specifying the extent of abatement in the event of the County's failure to have use and possession of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the County may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Series 2014 Bonds. It is not possible to predict the circumstances under which such an abatement of Base Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured.

Additional Obligations

The County has other obligations payable from its general fund, including but not limited to debt obligations, pension obligations and other obligations related to post employment retirement benefits as well as certain other liabilities.

The County may also incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners. There are no restrictions in the Indenture or the Facility Lease against the County incurring additional lease and other obligations payable from the County's General Fund. To the extent that the County incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The County is currently liable on other obligations payable from its general revenues.

See Appendix A – "COUNTY OF KINGS FINANCIAL ECONOMIC AND DEMOGRAPHIC INFORMATION" for further discussion of the County's obligations.

Limited Recourse on Default; Re-letting of the Leased Property

The Facility Lease and the Indenture provide that, if there is a default by the County, the Trustee may take possession of and re-let the Leased Property for the account of the County. The amounts received from such re-letting may be insufficient to pay the scheduled principal of and interest on the Series 2014 Bonds when due. The enforcement of any remedies provided for in the Facility Lease and in the Indenture could prove to be both expensive and time consuming

Earthquake Risk; Natural Disasters; Force Majeure

The State, including the County, is a seismically active region. There are several geological faults in the area which have the potential to cause serious earthquakes and damage to the Leased Property. The County is not required under the Facility Lease to maintain earthquake insurance on the Leased Property.

If an earthquake or other natural disaster were to cause serious damage to the Leased Property, or if the proceeds of any available insurance were insufficient to replace or repair the damaged Leased Property, the County would be limited to its General Fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to make Base Rental Payments would be subject to abatement. See "CERTAIN RISK FACTORS – Abatement."

The County and the Leased Property may also be at risk from other events of force majeure, such as floods, droughts, damaging storms, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The County cannot predict what force majeure events may occur in the future.

In addition to damaging the Leased Property, any of the events described above could cause damages and losses generally to property in the County, and have a negative impact on the economy in the County.

Hazardous Substances

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the County.

The County knows of no existing hazardous substances which require remedial action on or near the Leased Property. However, it is possible that such substances do currently or potentially exist and that the County is not aware of them.

Default and Remedies; No Acceleration

Upon the occurrence of an "event of default" pursuant to the Facility Lease, the County will be deemed to be in default under the Facility Lease and the Authority will be entitled to exercise any and all remedies available to it pursuant to law or granted pursuant to the Facility Lease. **These remedies do not include any right to accelerate the total Base Rental Payments due over the term of the Facility Lease. Further, the Authority, following such event of default, would not be empowered to sell the Leased Property and use the proceeds of such sale to prepay the Series 2014 Bonds or pay debt service thereon.** See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE FACILITY LEASE – Events of Default and Remedies" attached hereto.

The Authority has pledged the Base Rental Payments to the Trustee and covenanted to enforce its rights under the Facility Lease. The Authority has not assigned its rights under the Facility Lease or the Site Lease to the Trustee. The Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Trust Agreement.

Limitation on Remedies; Enforcement of Remedies

The enforcement of any remedies provided in the Facility Lease and the Indenture could prove both expensive and time consuming. The rights of the Owners of the Series 2014 Bonds are subject to certain limitations on legal remedies against counties and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Series 2014 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) 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. Bankruptcy proceedings, or the exercise of such governmental powers by federal or State officials, if initiated, could result in limitations on or modification of the rights of the Owners of the Series 2014 Bonds and/or delays in the enforcement of such rights.

The legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds will be qualified, as to the enforceability of the Series 2014 Bonds, the Indenture, the Facility Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties and joint powers authorities in the State. See also "CERTAIN RISK FACTORS – Bankruptcy - County; Trustee" herein.

Limitation on Sources of Revenues; Additional Expenditures

There are limitations on the ability of the County to increase revenues payable to the County General Fund. The ability of the County to increase taxes is limited by the State Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

In addition to limitations that have been imposed on the ability of the County to raise revenues, State and federally mandated expenditures by counties for justice, health and welfare have increased. For a number of years, the annual increase in mandated expenditures has exceeded the annual increase in County revenues. The County has begun implementing additional security and public safety measures. Expenditures for such measures are not presently expected to be material to the financial position of the County. The County does not guarantee, however, that additional actions affecting the County will not have a material adverse financial impact on the County. In the event the County's revenues are less than its total outstanding obligations, the County may be required by federal or State law to fund other municipal services prior to the payment of any Base Rental Payments.

Release and Substitution of the Leased Property

The Facility Lease permits the release of portions of the Leased Property or the substitution of other real property for all or a portion of the related Leased Property. See Appendix C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE FACILITY LEASE – Substitution or Removal of Leased Property." Although the Facility Lease requires that the substitute property have an annual fair rental value upon becoming part of the related Leased Property at least equal to the maximum annual amount of the Base Rental payments remaining due with respect to such Leased Property being replaced, it does not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of such Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within the County's boundaries. Therefore, release or substitution of all or a portion of a Leased Property could have an adverse effect on the security for the related Series 2014 Bonds.

Bankruptcy - County; Trustee

In addition to the limitations on remedies contained in the Indenture and the Facility Lease, the rights and remedies in the Indenture and the Facility Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds will be qualified, as to the enforceability of the Series 2014 Bonds, the Indenture, the Facility Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties and joint powers authorities in the State. See "CERTAIN RISK FACTORS – Limitation on Remedies; Enforcement of Remedies" herein.

The County is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the County. Third parties, however, cannot bring involuntary bankruptcy proceedings against the County. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Series 2014 Bonds may be materially and adversely affected as follows: (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 and could prevent the Trustee from making payments from funds in its possession; (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 secured debt which may have a priority of payment superior to that of Owners of the Series 2014 Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the County's various obligations over the objections of the Trustee or all of the Owners of the Series 2014 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Series 2014 Bonds if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The adjustment of similar obligations is currently being litigated in federal court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. The Adjustment Plans in these cities propose significant reductions in the amounts payable by the cities under lease revenue obligations substantially similar to the Series 2014 Bonds. The County can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The County is not currently considering filing for protection under the Bankruptcy Code.

In addition, if the Facility Lease was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the County could choose to reject the Facility Lease despite any provision therein that makes the bankruptcy or insolvency of the County an event of default thereunder. If the County rejects the Facility Lease, the Trustee, on behalf of the Owners of the Series 2014 Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Series 2014 Bonds. Moreover, such rejection would terminate the Facility Lease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Facility Lease to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the County for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Series 2014 Bonds.

The Indenture will state that the Trustee has entered into such agreement in its capacity as trustee and not in its individual corporate capacity. Were the Trustee to fail or become insolvent, federal regulatory authorities such as the Federal Deposit Insurance Corporation, the United States Comptroller of the Currency and the Federal Reserve Bank of the United States would have broad authority respecting the assets and liabilities of the Trustee. No opinion will be delivered in connection with the delivery of the Series 2014 Bonds to the effect that the Leased Property or payments by the County under the Facility Lease do not constitute property of the Trustee or that the Indenture or the Series 2014 Bonds do not constitute obligations of the Trustee. Were the Trustee to fail or become insolvent, the Facility Lease, the Indenture and/or the Series 2014 Bonds could be determined to be assets and/or liabilities of the Trustee. In such event, the Owners of the Series 2014 Bonds could suffer a significant delay in payment and/or a loss of some portion or all of their investment.

Insurance

The Facility Lease obligates the County to maintain and keep in force various forms of insurance, subject to deductibles, on the related Leased Property for repair or replacement in the event of damage or destruction to such Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Insurance." The County is also required to maintain rental interruption insurance in an amount equal to but not less than 24 months Base Rental payments. The Facility Lease allows the County to obtain joint insurance with one or more local agencies located within or outside the County which may have limits for cumulative amount of claims during a 12-month period. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Insurance." The County currently has joint insurance as described in Appendix A – "COUNTY OF KINGS FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – Insurance." The County makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Facility Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2014 Bonds when due.

State of California Financial Condition

The State in recent years has experienced significant financial and budgetary stress. 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 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. Accordingly, the County cannot predict the final outcome of 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 over which the County has no control. See Appendix A – "COUNTY OF KINGS FINANCIAL ECONOMIC AND DEMOGRAPHIC INFORMATION" attached hereto.

U.S. Government Finances

The County receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the County's assets are also invested in securities of the United States government. The County's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending.

On March 1, 2013 automatic spending cuts to federal defense and other discretionary spending (referred to as "sequestration") went into effect and will continue for nine years unless amended or repealed. From October 1, 2013 to October 16, 2013, the United States federal government entered a partial shutdown, with furloughs of certain federal workers and suspension of certain services, due to Congressional failure to enact a regular budget or a continuing resolution for the 2014 fiscal year. In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the County's finances. The County cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the County's finances and operations. See Appendix A – "COUNTY OF KINGS FINANCIAL ECONOMIC AND DEMOGRAPHIC INFORMATION."

Other

There may be other risk factors inherent in ownership of the Series 2014 Bonds in addition to those described in this section.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2014 Bonds is less than the amount to be paid at maturity of such Series 2014 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2014 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2014 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2014 Bonds is the first price at which a substantial amount of such maturity of the Series 2014 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2014 Bonds accrues daily over the term to maturity of such Series 2014 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2014 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2014 Bonds. Beneficial Owners of the Series 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2014 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2014 Bonds is sold to the public.

Series 2014 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2014 Bonds. The Authority and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2014 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2014 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2014 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2014 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2014 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2014 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Series 2014 Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Series 2014 Bonds to some extent for high income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2014 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the County have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2014 Bonds ends with the issuance of the Series 2014 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Series 2014 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2014 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2014 Bonds, and may cause the Authority, the County or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

The validity of the Series 2014 Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, and the County by the County Counsel and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP.

LITIGATION

The Authority. To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Series 2014 Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2014 Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Series 2014 Bonds, the completeness or accuracy of the Official Statement or the existence or powers of the Authority relating to the sale of the Series 2014 Bonds.

The County. No litigation is pending or, to the best knowledge of the County, threatened against the County concerning the validity of the Series 2014 Bonds. The County is not aware of any litigation pending or threatened questioning the political existence of the County or contesting the County's ability to execute the Facility Lease or the Indenture or pay the Base Rental Payments pursuant to the Facility Lease. There are a number of lawsuits and claims pending against the County. The County does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the County.

RATINGS

Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), is expected to assign a rating of "AA" to the Series 2014 Bonds, based upon the issuance of the Policy by AGM at the time of delivery of the Series 2014 Bonds. In addition, S&P has assigned the County an underlying rating of "A". Such ratings reflect only the views of such organizations and explanations of the significance of such ratings may be obtained only from Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number (212) 438-2000. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2014 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

FINANCIAL ADVISOR

Bando Public Finance LLC, Los Angeles, California served as Financial Advisor to the County in connection with the issuance of the Series 2014 Bonds. Bando Public Finance LLC is an independent financial advisory firm and is not engaged in the business of underwriting municipal bonds or other securities. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Cathy Bando, a principal of Bando Public Finance LLC, currently serves as Executive Director of the Authority. The County established its financing plan to issue the Series 2014 Bonds through the Authority prior to Ms. Bando's employment by the Authority. The governing Commission of the Authority was informed of the County's engagement of Bando Public Finance LLC as Financial Advisor to the County in connection with the issuance of the Series 2014 Bonds prior engaging Ms. Bando as Executive Director. To avoid a conflict of interest, Ms. Bando did not review, make recommendations or participate as Executive Director for the Authority and its Commission in connection with the sale and delivery of the Series 2014 Bonds by the Authority. Ms. Bando appeared before the Commission as Financial Advisor to the County in connection with the issuance of the Series 2014 Bonds.

UNDERWRITING

The Series 2014 Bonds are being purchased by the underwriters set forth on the cover page of this Official Statement (the "Underwriters"). Pursuant to the Purchase Contract for the Series 2014 Bonds, the Underwriters have agreed, subject to certain conditions, to purchase the Series 2014 Bonds at a price of $5,388,349.02 (representing the principal amount of the Series 2014 Bonds, plus a net original issue premium of $430,373.00, less underwriters' discount of $27,023.98). The Purchase Contract for the Series 2014 Bonds provides that the Underwriters will purchase all of the Series 2014 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2014 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority or the County for which they received or will receive customary fees and expenses.

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

Citigroup Global Markets Inc., an Underwriter of the Series 2014 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2014 Bonds.

CONTINUING DISCLOSURE

The County has agreed to provide, or cause to be provided, with respect to each fiscal year of the County, commencing with Fiscal Year 2013-14 to the Municipal Securities Rulemaking Board ("MSRB") certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in such annual financial information and operating data and the notice of enumerated events is set forth in Appendix F – "FORM OF CONTINUING DISCLOSURE AGREEMENT." The County has complied in the last five years with its previous undertakings with regard to the Rule, being the continuing disclosure agreement for the 2005 Lease Bonds (the "2005 Lease Bonds Undertaking") and the continuing disclosure agreement for the POBs (the "POB Undertaking")) except as follows:

1) Pursuant to its two previous undertakings, the County is supposed to file its financial statements by 210 days after the end of each fiscal year (generally January 26) with respect to the POB Undertaking and by the following March 31 with respect to the 2005 Lease Bonds Undertaking, and file a notice if such filings will be late. The County filed certain of its financial statements after the dates required by the undertakings. The County did file notices with the MSRB indicating that such financial statements would be filed late. The table below indicates the date such financial statements were filed on the MSRB's Electronic Municipal Market System ("EMMA") website.

Fiscal Year ended June 30,	Date Filed
2009	4/5/2010
2010	8/19/2011
2011	8/3/2012
2012	3/27/2013
2013	1/27/2014

2) The 2005 Lease Bonds Undertaking required the County to submit updated assessed valuation and a recent pooled quarterly investment report along with its financial statements. The County did not submit such information to the MSRB for Fiscal Years ending June 30, 2009 through 2013. The County has subsequently filed such information to the MSRB's Electronic Municipal Market System ("EMMA") on June 16, 2014.

In order to improve compliance with its continuing disclosure undertakings in the future, the County has put in place certain procedures, including but not limited to (i) designating the Director of Finance as the County official responsible for continuing disclosure compliance and (ii) a plan to include the other operating and financial data required by the undertakings in its comprehensive annual financial report that would be filed with EMMA (iii) hiring Wilmington Trust, N.A. as dissemination agent to assist the County in timing filing of annual continuing disclosure filings or failure to file notices.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement by or among the Authority or the County and the purchasers or owners of any of the Series 2014 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the County or the Authority since the date hereof.

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

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

By: /s/ Laura Campbell
Authorized Signatory

COUNTY OF KINGS

By: /s/ Rebecca Carr
Director of Finance

APPENDIX A

COUNTY OF KINGS FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

The following brief description of the County of Kings (the "County") and current information concerning its economy and governmental organization has been collected from the County or, as noted, from third party sources which the County deems to be reliable.

General Information

The County, located approximately 220 miles south of San Francisco, was created in 1893 from a section of Tulare County. In 1908, one hundred square miles of territory were added to the County from Fresno County, bringing the County's total area to approximately 1,390 square miles. The County is bordered by Fresno County to the north, Kern and San Luis Obispo Counties to the south, Monterey County to the west and Tulare County to the east. There are four incorporated cities in the County: Hanford, Lemoore, Corcoran and Avenal. The City of Hanford serves as the County Seat.

Many of the County's functions are required under County ordinances, or by State and federal mandate. State and federally mandated programs, primarily in the social and health service areas, are required to be maintained at certain minimum levels, which limits the County's control.

The County provides a wide range of services to its residents including: regional services such as probation, medical examiner, jails, elections; health, welfare and human services such as mental health, senior citizen and child welfare services; provides basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, libraries to incorporated cities by request; and provides roads for the unincorporated area of the County.

Governmental Organization

The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors, elected by district. Members serve staggered four-year terms, and the chair is elected by the Board members. The County administration consists of appointed and elected officials, boards, commissions and committees that assist the Board of Supervisors, including the County Administrative Officer, the Director of Finance, the Assessor-Clerk-Recorder, the District Attorney and the Sheriff - Coroner-Public Administrator.

Below is a list of significant County officials and brief resumes:

Larry Spikes – County Administrative Officer
- With Kings Country Since 1981; CAO since 1993

Rebecca Campbell – Deputy County Administrative Officer
- With Kings County since 2005; U.S. Navy 1995 to 2004

John Lehn – President, Kings County Economic Development Corp.
- With Kings County Since 1977; JTO Director since 1980; Economic Development Pres./CEO since 1998; Board Vice-Chair of the Eight County California Central Valley Economic Development Corp.

Becky Carr – Director of Finance

- With Kings County since January 2012; Tulare County from 1999 to 2010 (Assistant Auditor-Controller); City of Elk Grove 2010 to 2011 (Director of Finance)

Dave Robinson – Sheriff

- With Kings County since 1995; Sheriff since 2011; District Attorney Investigator from 2009 to 2011; Sheriff's Office from 1995 to 2009

Budget Procedure

The following is a description of the County's budget process, its major revenues and expenditures, and certain other financial information.

The County is required by State law to adopt a final budget each year by August 30. The County's final budget for Fiscal Year 2013-14 (the "Final Budget") was submitted to the Board of Supervisors on June 25, 2013. The Final Budget was adopted by the Board of Supervisors on August 13, 2013. The proposed Fiscal Year 2014-15 is expected to be submitted to the Board of Supervisors on June 24, 2014 and adopted on August 26, 2014. As compared to the Final Budget, the County expects a slight increase in revenues and expenditures for the proposed Fiscal Year 2014-15 budget and no other material changes.

COUNTY OF KINGS
BUDGET SUMMARY
Fiscal Years Ended June 30, 2013 and June 30, 2014

EXPENDITURES:	**2012-13 Adopted Budget**	**2012-13 Actual Budget**	**2013-14 Adopted Budget**
Countywide Funds:			
General	$167,361,731	$154,463,671	$183,086,747
Tribal Gaming	900,000	900,000	900,000
Pension Obligation Bonds	1,254,900	1,022,561	1,216,200
Library	4,476,452	1,986,543	4,859,847
Road	18,161,629	9,150,427	16,990,741
County Fish & Game	25,924	2,383	22,220
Job Training Office	3,173,569	1,913,682	5,149,426
Child Support Services Agency	4,230,731	4,017,086	4,234,222
Accumulated Capital Outlay	50,758,790	4,477,604	48,671,121
PFF - Public Protection	283,497	275,282	170,000
Law Library	134,536	102,108	113,686
First Five Kings County	4,073,813	1,969,922	4,216,546
Jail Facilities Bond	783,275	780,775	781,425
Provision to Reserves	158,624	-	122,824
Total Countywide Funds	255,777,471	181,062,044	270,535,005
Less Than Countywide Funds:			
Fire	11,608,890	9,891,072	12,172,557
Grand Total Expenditures	$267,386,361	$190,953,116	$282,707,562

REVENUE SOURCES:			
Taxes	$ 44,497,524	$ 46,046,278	$ 47,294,252
Licenses and Permits	1,284,938	1,303,849	1,282,698
Fines and Forfeits	2,510,238	2,488,899	2,555,039
Use of Money and Property	1,218,137	1,072,129	1,102,701
Intergovernmental Revenue	154,565,578	115,115,968	168,902,959
Charges for Services	9,275,668	8,840,794	7,785,168
Miscellaneous Revenues	6,328,525	8,485,612	7,446,916
Other Financing Sources	8,025,265	2,630,453	7,969,664
Prior Year Fund Balance	39,680,488	-	38,368,165
Total Revenue	$267,386,361	$185,983,982	$282,707,562

Source: County of Kings Administration Office

Accounting Policies, Reports and Audits

The financial statements of the County have been prepared in conformity with generally accepted accounting principles ("GAAP") as applicable to the government. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements include the activities of various funds and account groups for which the County has oversight responsibility. The accounts of the County are organized on the basis of funds and account groups, 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. Governmental 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 spending activities are controlled. The County does not have a formal reserve policy. The various funds are grouped in the financial statements as follows:

Governmental Funds

General Fund - Accounts for the legally authorized activities of the County not provided for in the specialized funds.

Special Revenue Funds - Account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds, and trust funds.

Proprietary Funds:

Public Works- Internal Service Fund – Account for program costs relating to roads, building and maintenance projects, surveyor and other reimbursable projects for other County departments and agencies on a cost-reimbursement basis.

Fleet Management- Internal Service Fund – Account for program costs relating to motor pool and equipment maintenance for other County departments and agencies on a cost-reimbursement basis.

Information Technology Service- Internal Service Fund – Account for costs relating to operations of the County data processing department. Costs (expenses including depreciation) of providing services to County departments and outside agencies are to be recovered primarily through user charges.

Health Self-Insurance- Internal Service Fund – Account for the County's health self-insurance program. The program offers optional health insurance coverage to County employees.

Workers Compensation Self-insurance- Internal Service Fund – Account for the County's Workers Compensation self-insurance program. The program offers Workers Compensation insurance coverage to County employees.

Fiduciary Funds:

Expendable Trusts and Agency Funds – Account for assets held by the County as trustee or agent for other governmental units, individuals, private organizations, and/or other funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Group:

General Fixed Assets Account Group – Account for property, plant and equipment owned by the County, other than capital assets included in the proprietary funds.

General Long-Term Obligations Account Group – Account for the vested portion of vacation and sick leave expected to be financed from governmental funds.

All governmental funds and expendable trust and agency funds are accounted for using the modified accrual basis of accounting wherein revenues are recognized when they become measurable and available as net current assets. Certain revenues which have been accrued include property taxes, certain State and federal grants and charges for current services. Revenues that are not considered susceptible to accrual include certain licenses, permits, fines, forfeitures and penalties. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The measurement focus of governmental fund accounting is based upon the determination of financial sources, uses and balances of available spendable financial resources.

A copy of the most recent audited financial statements of the County is included in Appendix B of this Official Statement. The financial statements should be read in their entirety. The County has a multi-year contract with the firm of Brown Armstrong through the end the audit of the County’s financial statements for its Fiscal Year ending June 30, 2014. The letter of Brown Armstrong concludes that the most recent audited financial statements present fairly, in all material respects, the financial position of the County as of June 30, 2013 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. Brown Armstrong has not reviewed or audited this Official Statement.

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COUNTY OF KINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR GENERAL FUND
Fiscal Years Ended June 30, 2009 through June 30, 2013

REVENUES	**2009**	**2010**	**2011**	**2012**	**2013**
Taxes:					
Property	$16,817,015	$15,807,899	$16,080,300	$16,479,598	$17,171,755
Sales	1,797,384	1,429,621	1,650,270	1,897,935	1,899,006
Franchise	2,309,482	1,779,643	967,790	945,373	1,095,758
Hotel	212,886	199,017	233,281	279,609	277,490
Licenses and permits	369,610	354,002	360,131	388,548	379,684
Fines and forfeits	129,337	289,871	1,019,336	1,235,195	714,507
Intergovernmental	115,214,394	110,932,655	108,428,397	117,134,216	120,651,093
Charges for services	8,944,830	8,442,424	8,394,774	8,673,260	8,754,046
Rents and concessions	660,975	671,589	686,169	650,854	748,940
Investment earnings	1,187,988	811,535	714,736	490,296	(5,329)
Contributions and donations	21,394	56,921	69,034	38,442	15,505
Miscellaneous	2,477,561	2,413,245	3,065,350	4,630,149	6,382,215
Total revenues	$150,142,856	$143,188,422	$141,669,568	$152,843,475	$158,084,670
EXPENDITURES					
Current:					
General government	$19,198,987	$17,203,868	$16,002,933	$14,367,888	$14,838,737
Public safety	44,412,200	44,348,939	44,310,759	45,280,787	47,937,603
Public ways and facilities	2,000	29,365		7,336	24,307
Health and sanitation	27,626,562	25,714,275	25,800,712	26,760,428	28,255,188
Public assistance	53,191,689	55,357,065	54,158,061	51,323,638	55,772,710
Education	233,317	198,251	185,580	138,310	155,067
Culture and recreation	1,602,774	1,633,433	1,865,725	1,813,569	1,920,799
Debt service:					
Principal	958,975	1,047,942	1,089,401	2,031,181	1,444,186
Interest	362,842	528,735	630,672	655,995	793,074
Capital outlay	1,227,813	829,913	3,515,452	1,874,132	1,039,908
Total expenditures	$148,817,159	$146,891,786	$147,559,295	$144,253,264	$152,181,579
Excess (deficiency) of revenues over (under) expenditures	1,325,697	(3,703,364)	(5,889,727)	8,590,211	5,903,091
OTHER FINANCING SOURCES (USES)					
Capital leases - other financing sources	-	-	-	188,873	182,469
Transfers in	272,561	182,005	-	-	-
Transfers out	(4,533,257)	(2,014,206)	(970,046)	(1,544,578)	(2,408,199)
Total other financing sources (uses)	(4,260,696)	(1,832,201)	(970,046)	(1,355,705)	(2,225,730)
Net change in fund balances	(2,934,999)	(5,535,565)	(6,859,773)	7,234,506	3,677,361
Fund balances - beginning	29,564,950	26,629,951	21,094,386	14,234,613	21,452,292
Prior period adjustment				(16,827)	(473,336)
Fund balances - ending	$26,629,951	$21,094,386	$14,234,613	$21,452,292	$24,656,317

Source: County of Kings Department of Finance.

COUNTY OF KINGS
COMPARISON OF BALANCE SHEETS - GENERAL FUND
Fiscal Years Ended June 30, 2009 through June 30, 2013

ASSETS	Audited 2009	Audited 2010	GASB 54 Fund Balance*	Audited 2011	Audited 2012	Audited 2013
Cash and cash equivalents	$1,616,829	$1,062,986		$673,384	$323,712	$3,605,521
Imprest cash	24,930	24,930		25,575	24,830	24,830
Treasurer investments	30,650,631	27,007,848		33,749,608	38,121,966	42,254,545
Deposits with others	25,000	25,000		25,000	25,000	25,000
Investments	836,782	771,782		706,782	641,782	576,782
Receivables	9,935,378	10,110,763		8,722,329	7,171,236	7,813,318
Due from other funds	605,796	372,699		56,699	66,383	413,668
Due from other governments	1,678	125,853		-	-	40,771
Advances to other funds	156,527	-		-	-	-
Loans Receivable	-	500,000		-	-	171,700
Deposits with others - restricted	324,972	211,963		118,375	112,573	103,440
Total assets	44,178,523	40,213,824		44,077,752	46,487,482	55,029,575
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accrued expenses payable	$2,728,648	$1,454,995		$1,973,720	$2,387,315	$2,791,798
Advances from grantors and third parties						24,525,561
Deferred revenue	13,849,088	17,091,657		27,290,289	22,015,072	
Due to other funds	970,836	572,786		579,130	632,803	653,648
Total liabilities	17,548,572	19,119,438		29,843,139	25,035,190	27,971,007
DEFERRED INFLOWS OF RESOURCES (Early implementation of GASB 65)						
Deferred inflows from property taxes	-	-		-	-	$1,003,469
Deferred inflows from grantors	-	-		-	-	1,398,782
Total deferred inflows of resources	-	-		-	-	2,402,251
Fund balances:			Fund balances:			
Reserved for:						
Investments	836,782	771,782	Restricted: debt service	118,375	112,573	103,440
Advances	156,527		Assigned: imprest cash	25,575	24,830	24,830
Loans		500,000	Unassigned:	14,090,663	21,314,889	24,528,047
Debt service	324,972	211,963		-	-	-
Donations	90,934	110,062		-	-	-
Construction	21,292	54,448		-	-	-
Equipment replacement & repair	4,098	4,171		-	-	-
Unreserved, designated for, reported in:						
Encumbrances	117,093	116,915		-	-	-
Earthquake self insurance	500,000	500,000		-	-	-
Liability self insurance	2,430,346	3,533,310		-	-	-
Economic uncertainties	5,635,051	3,039,935		-	-	-
Contingencies	4,655,412	4,484,341		-	-	-
Construction	976,014	1,430,058		-	-	-
Debt service	104,259	2,166,929		-	-	-
Financial system	827,792	200,000		-	-	-
Unreserved, undesignated reported in:						
General fund	9,949,379	3,970,472		-	-	-
Total fund balances	26,629,951	21,094,386		14,234,613	21,452,292	24,656,317
Total liabilities and fund balances	$44,178,523	$40,213,824		$44,077,752	$46,487,482	$55,029,575

* Effective with Fiscal Year End June 30, 2011, the County of Kings has implemented Government Accounting Standards Board (GASB) Pronouncement 54 (GASB54). GASB54 changed the presentation for fund balance in all governmental fund types. The five classes of fund balance are:

Nonspendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action (Resolution) of the highest level of decision making authority (Board of Supervisors) and do not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by management decision. The assigned balances in this report represent budgeted amounts set by Board of Supervisor's approval of the subsequent year budget.

Unassigned - Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Source: County of Kings Department of Finance.

Funding by the State of California

General. California counties administer numerous health and social service programs as the administrative agent of the State of California (the "State") and pursuant to State law. Many of these programs have been either wholly or partially funded with State revenues which have been subject each year to the State budget and appropriation process. Over the last several years, State and federally mandated expenditures in justice, health and welfare have grown at a greater rate than the County's discretionary general purpose revenues.

The County is heavily dependent upon the State for a portion of its revenues. The Adopted Budget projects that in fiscal year 2013-14, approximately 33 percent (or approximately $80.8 million) of general fund revenues will come from State aid. See "County Budget" above.

The State Budget Process. The State's fiscal year begins on July 1 and ends on June 30. Pursuant to the State Constitution, the Governor of the State is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year. The Governor's Budget is then revised in May and a final budget must be adopted by each house of the State Legislature by no later than June 15. The budget becomes law upon the signature of the Governor.

Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the State Legislature and signed by the Governor. The Budget Act must be approved by each house of the State Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by each house of the State Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse.

Fiscal Year 2014-15 Proposed State Budget. On January 9, 2014, Governor Edmund G. Brown released the Fiscal Year 2014-15 Proposed State Budget (the "Fiscal Year 2014-15 Proposed State Budget"), which projects fiscal year 2013-14 general fund revenues and transfers of $100.15 billion, total expenditures of $98.5 billion and a year-end surplus of $4.21 billion, of which $955 million would be reserved for liquidation of encumbrances and $3.26 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 Proposed State Budget projects fiscal year 2014-15 general fund revenues and transfers of $104.5 billion, total expenditures of $106.79 billion and a year-end surplus of $1.92 billion, of which $955 million would be reserved for liquidation of encumbrances and $967 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 Proposed State Budget also proposes a deposit of $1.59 billion into the State's Rainy Day Fund. The Fiscal Year 2014-15 Proposed State Budget proposes a constitutional amendment to strengthen the Rainy Day Fund, scheduled to appear on the ballot in November 2014. Under the proposal, revenues would be deposited into the Rainy Day Fund when capital gains revenues rise to more than 6.5% of general fund tax revenues. The Rainy Day Fund would also allow supplemental payments to long-term liabilities of the State and would smooth spikes in funding to schools under Proposition 98. Amounts that could be withdrawn from the

Rainy Day Fund in the first year of a recession would be limited to half of the fund's balance. The Fiscal Year 2014-15 Proposed State Budget recognizes recent improvements in the State's budget situation, but warns that there remain a number of major risks that threaten the State's fiscal stability, including threats of future recession, federal fiscal changes, stock market performance, the prison population cap, issues regarding the dissolution of redevelopment agencies in the State, rising health care costs, and an unprecedented level of debts, deferrals and budgetary obligations accumulated by the State over the prior decade (known as the "Wall of Debt").

Certain of the features of the Fiscal Year 2014-15 Proposed State Budget which could affect counties in the State include the following:

1. The Governor has budgeted for a 3% deposit for fiscal year 2014-15 into the Rainy Day Fund. Under current law, half of this amount will be used to make a supplemental payment to pay off the State's Economic Recovery Bonds, which were sold in 2004 to balance the budget. In connection with the sale of those bonds, the State Legislature enacted provisions that changed how sales and use taxes and other revenues are distributed to schools and local governments on and after July 1, 2004 (known as the "Triple Flip"). The supplemental payment will accelerate the final payment of those bonds and thereby eliminate the need for Triple Flip.

2. The Fiscal Year 2014-15 Proposed State Budget reflects the full implementation of federal health care reform in California. As part of the Fiscal Year 2013-14 State Budget Act, a portion of the funding that counties use to provide health care to uninsured, low-income residents were shifted to the State's general fund, in order to offset the State's general fund costs for the CalWORKs program. Up to $300 million will be shifted from counties to the State in fiscal year 2013-14, rising to an estimated $900 million in fiscal year 2014-15.

3. In 2011, the State Legislature realigned responsibility for certain lower-level offenders from the State to counties. Currently, these offenders may receive either a "straight sentence" (jail time only) or a "split sentence" (jail time followed by mandatory supervisions). The Governor proposes to require the use of split sentences for any county jail felony sentence unless the court finds it to be in the interests of justice to impose a straight sentence, in order to help reduce recidivism and relieve jail overcrowding. Additionally, the Fiscal Year 2014-15 Proposed State Budget proposes that lower-level offenders who receive sentences longer than 10 years be required to serve their time in State prison rather than in county jail. Finally, the Fiscal Year 2014-15 Proposed State Budget includes $500 million to build county jail facilities, with counties subject to a 10% matching requirement.

4. The Fiscal Year 2014-15 Proposed State Budget reflects the increase in CalWORKs grant that was adopted in the Fiscal Year 2013-14 State Budget Act, but assumes no additional grant increase in Fiscal year 2014-15. The Fiscal Year 2014-15 Proposed State Budget also includes a pilot program that would provide additional assistance to approximately 2,000 CalWORKs families by providing such families access to licensed child care and activities designed to enhance parenting and life skills.

5. The Governor proposes to expand the use of Infrastructure Financing Districts ("IFDs"), which use tax increment financing to divert future tax revenue from other local agencies in order to finance economic development. Unlike redevelopment agencies, IFDs require the affected taxing entities to consent to the diversion of their property tax revenues. The Governor proposes to reduce voter approval of IFDs from the current two-thirds requirement to 55% and seeks to expand the list of local projects that can be financed through IFDs to include projects that have "quality of life benefits" such as affordable housing and urban infill. In cases where a city or county formerly operated a redevelopment agency, the Fiscal Year 2014-15 Proposed State Budget would require the entity to meet certain goals prior to establishing an IFD, including paying in full any amounts owed to cities, counties and/or school

districts and complying with State audit findings. Further, if the new IFD overlaps with a dissolved redevelopment agency, the amount of funding available for the IFD would depend on the extent to which the redevelopment agency's existing payment obligations have been met.

May Revision to the Fiscal Year 2014-15 Proposed State Budget. On May 13, 2014, the Governor released his May Revision to the 2014-15 Proposed State Budget (the "May Revision"), which projects Fiscal Year 2013-14 revenues and transfers of $102.19 billion, total expenditures of $100.71 billion and a year-end surplus of $3.90 billion (inclusive of the $2.43 billion fund balance 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 May Revision projects Fiscal Year 2014-15 revenues and transfers of $105.35 billion, total expenditures of $107.77 billion and a year-end surplus of $1.48 billion (inclusive of the projected $3.90 billion 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 $528 million would be deposited in a reserve for economic uncertainties. In addition, in Fiscal Year 2014-15, $1.604 billion would be deposited into the State's Budget Stabilization Account/Rainy Day Fund. The May Revision states that State revenues are forecasted to increase by $2.4 billion, which amounts will be offset in part by unanticipated increases in Medi-Cal costs associated with the expansion under the Affordable Care Act, increased costs of drought management and additional costs associated with State pension obligations. The May Revision states that a number of major risks continue to threaten the State's fiscal stability, including the overhang of fiscal debts, growing long-term liabilities and continuing uncertainties regarding the costs of the federal Affordable Care Act. The May Revision also states that the agreement between the Governor and legislative leaders to create a Rainy Day Fund through an amendment to the State Constitution, if approved by voters in November 2014, will help the State minimize the volatility of future budgetary surplus and deficit cycles.

Certain of the features of the May Revision which could affect counties in the State include the following:

1. The May Revision includes updates of the revenue estimates associated with 2011 Public Safety Realignment program. Consistent with lower-than-estimated cash receipts through March 2014, the sales tax forecast reflects a downward trend. Overall, sales tax growth for the entire 2011 realignment account is down $51.5 million from January 2014 projections. The 2013-14 estimated growth attributable to AB 109 is $50.8 million (a decrease of $13.5 million from January 2014 estimates).

2. The May Revision includes a proposal to increase by $11.3 million the amount to be allocated directly to county probation departments to mitigate the increment of workload associated with the post release community supervision offenders benefiting from the accelerated credit earning under the 2011 Public Safety Realignment program. Statewide, the average daily population impact is projected to be 216 in 2013-14 and 819 in 2014-15.

3. The May Revision affirms and augments the Recidivism Reduction Fund Investment set forth in the 2014-15 Proposed State Budget, bringing the total amount available in 2014-15 to $91 million. The majority of the augmentation will be dedicated to funding reentry facilities and programming specifically targeted at the mental health population that is within six to 12 months of release. It is contemplated that the facilities could house probation or parole populations and would offer case management services, employment services and assistance with other supports (*e.g.*, identification cards, housing, enrollment in Medi-Cal and CalWORKs) to facilitate successful community reintegration.

4. The May Revision includes $100 million to local governments for the pre-2004 mandate debt, of which 73 percent will go to counties. Funds will be allocated based on the proportional of the

total pre-2004 mandate debt owed and are expected to be used to improve implementation of 2011 Realignment and public safety. In January 2014, the Administration had proposed to pay off the $900 million debt over two years beginning in 2015-16. 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. There are no changes to which mandates are suspended, including elections mandates.

5. The May Revision estimates that $724.9 million (instead of the $900 million estimated as part of the 2014-15 Proposed State Budget) will be diverted from county health realignment funds for CalWORKs costs. The amounts to be diverted will be determined county-by-county. The $724.9 million for Fiscal Year 2014-15 included in the May Revision is an estimate and a final reconciliation or "true-up" will occur in 2016 once final data is submitted by counties to the state.

6. The May Revision revised the State's CalWORKs caseload projections and proposes to increase General Fund spending by $35 million in the current year and $95.2 million in Fiscal Year 2014-15.

7. The May Revision proposes to increase State General Fund spending on IHSS by $107.9 million in the current year and $134.3 million in Fiscal Year 2014-15 due to increases in caseload, hour per case, and costs per hour.

Future Updates and State Budgets. As described above, 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 may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. See "SPECIAL CONSIDERATIONS – State of California Financial Condition" in the forepart of this Official Statement.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An analysis of the budget is posted by the California Legislative Analyst's Office 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. 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 or timeliness of information posted there, and such information is not incorporated herein by these references.

Ad Valorem Property Taxes

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. 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 property and real property which can be secured by liens. Other property is assessed on the "unsecured roll."

The County has not adopted the method of secured property tax apportionment known as the Teeter Plan. The County levies a one percent property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

Property taxes on the secured roll are due in two installments during the Fiscal Year that become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Tax Collector's power of sale and may be subsequently sold within two years by the County Tax Collector.

Legislation established the "supplemental roll" in 1984 which directs the Assessor to reassess real property, at market value, on the date the property changes ownership- or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1 or the Fiscal Year. The taxing authority has four ways of collecting unsecured personal property taxes: (1) by filing a civil action against the taxpayer; (2) by filing a certificate in the office of the County Clerk by specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) by filing a certificate of delinquency for record in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) by seizure and sale of personal property, improvements or possessory interest, belonging to the taxpayer. See also "Assessed Valuation" below.

COUNTY OF KINGS
SUMMARY OF TAX LEVIES AND COLLECTIONS
Fiscal Years 2008-09 through 2013-14

	Secured Tax Levy	Current Tax Collections	Percent Of Levy Collected	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2008-09	$ 94,338,983	$ 90,359,226	95.78%	$3,709,073	3.93%
2009-10	96,401,669	92,882,162	96.35	3,291,222	3.41
2010-11	99,075,467	96,321,533	97.22	2,646,838	2.67
2011-12	100,113,439	97,691,890	97.58	2,421,549	2.42
2012-13	103,166,148	101,270,406	98.16	1,895,742	1.84
2013-14	103,143,075	101,214,338	98.13	1,928,738	1.87

Source: County of Kings Department of Finance.

Assessed Valuation

The following table sets forth the assessed valuation by category and property type for Fiscal Year 2009-10 through Fiscal Year 2013-14.

COUNTY OF KINGS
ASSESSED VALUE OF TAXABLE PROPERTY
Fiscal Years 2009-10 through 2013-14

Year	Local Secured	Homeowners Exempt	Utility Roll	Unsecured Roll	Grand Total	Percentage over prior year
2009-10	$8,060,625,454	$120,178,848	$366,975,147	$370,522,505	$8,918,301,954	(0.32%)
2010-11	8,221,076,961	120,063,808	364,992,814	375,970,848	9,082,104,431	1.84
2011-12	8,297,367,299	117,338,606	384,122,471	388,787,310	9,187,615,686	1.16
2012-13	8,408,030,737	115,195,325	393,693,954	404,483,653	9,321,403,669	1.46
2013-14	8,538,342,484	114,257,016	404,653,293	409,271,438	9,466,524,231	1.56

Source: County of Kings Department of Finance.

Certain taxpayers have filed appeals requesting the assessor to lower the assessed valuation on their properties. The aggregate amount of these outstanding appeals (filed from 2010 through 2013) totals $426,554,784 of assessed value. The County cannot predict how much of an assessed value reduction, if any, will be granted as a result of these appeals.

The following table shows the total tax levied against the twenty largest property taxpayers in the County for Fiscal Year 2013-14.

COUNTY OF KINGS
TOP PROPERTY TAXPAYERS
Fiscal Year Ended June 30, 2014

	OWNER NAME	ASSESSED VALUE	% OF TOTAL ASSESSED VALUE[(1)]
1	Leprino Foods	$453,666,100	5.27%
2	Melga Canal Co	315,778,300	3.67
3	Pacific Gas & Electric Co	159,883,366	1.86
4	Del Monte Corporation	101,500,800	1.18
5	Olam West Coast Inc	89,297,400	1.04
6	Sandridge Partners	79,883,114	0.93
7	GWF Energy LLC-Hanford	76,900,000	0.89
8	Chevron Corporation	74,841,294	0.87
9	Cloverdale Dairy LLC	54,246,408	0.63
10	Passco Hanford Mall LLC	52,514,694	0.61
11	Southern California Edison Co	50,590,278	0.59
12	Pacific Bell Telephone Co	46,784,264	0.54
13	Paramount Pomegranate Orchards LP	31,922,950	0.37
14	Westlake Farms Inc	31,808,786	0.37
15	Centennial-Hanford Center West LLC	31,767,214	0.37
16	Waste Management Holdings Inc	31,514,978	0.37
17	River Ranch Farms LLC	29,777,398	0.35
18	Wasatch Pool Holdings LLC	28,885,698	0.34
19	Stone Land Company	28,689,448	0.33
20	Southern California Gas Company	27,940,966	0.32
		$1,798,193,456	15.68%

(1) Based on an assessed value of $8,608,815,990 which includes certain adjustments to property values since January 1 (such as sales and appeals) and excluding utility and unsecured rolls.
Source: County of Kings Department of Finance.

Certain of the top taxpayers have filed appeals requesting the assessor to lower the assessed valuation on their properties The aggregate amount of these outstanding appeals (filed from 2010 through 2013) totals $326,742,757 of assessed value. The County cannot predict how much of an assessed value reduction, if any, will be granted as a result of these appeals.

Employees

The table below summarizes County employment levels. Some employees are hired under various federally funded programs.

COUNTY OF KINGS
COUNTY EMPLOYEES
Fiscal Years 2009-10 through 2013-14

Fiscal Year	Permanent
2009-10	1,279
2010-11	1,293
2011-12	1,267
2012-13	1,283
2013-14	1,365
2014-15	1,385*

* Estimate.
Source: County of Kings Administrative Office.

The County's non-management employees are represented by seven employee organizations: the California League of City Employees Association (General), the California League of Cities Employees Association (Supervisors), the Kings County Deputy Sheriffs' Association, the Service Employees International Union, the Kings County Firefighters' Association, Kings County Prosecutors' Association and the Kings County Detention Deputy Association. Non-represented management employees account for approximately 12% of the total County workforce.

The County has a history of multi-year contracts with its employee organizations and has experienced no job actions for nearly 20 years. The County has labor contracts with all of its employee organizations that expire in 2016.

Pension Benefits

The County provides retirement benefits to certain of its employees through contracts with the California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets and accrued liabilities of the PERS Plans at the end of the Fiscal Year, and determines the required employer contribution rates for future years.

PERS maintains more than one pension plan (each, a "PERS Plan") for the County based on type of employee (i.e. the County has a PERS Plan for "Safety Employees" and a separate PERS Plan for "Miscellaneous Employees"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS. Employees are also required to contribute a certain percentage of their salary to their PERS Plan as described below (the "Employee Contribution"). The County pays the Employee Contribution to PERS for the Board of Supervisors; all other County employees are currently required to pay their Employee Contribution to PERS.

The staff actuaries at PERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2013 covered PERS' Fiscal Year ended June 30, 2012). The actuarial valuations express the County's required contribution rates in percentages of payroll, which percentages the County must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the County's contribution rate derived from the actuarial valuation as of June 30, 2012, that were prepared in October 2013, will affect the County's Fiscal Year 2014-15). PERS rules require the County to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the UAAL. The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL, is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the PERS members owe to PERS under their respective PERS Plans.

At the March 14, 2012 meeting, the PERS Board of Administration approved a recommendation to lower the PERS rate of investment return assumption from 7.75% to 7.50%. As a result, public agency employer contribution rates are estimated to increase by approximately 1.00% to 2.00% of payroll for Miscellaneous plans and 2.00% to 3.00% of payroll for Safety plans. These increases are to be phased in over a period of two years beginning in Fiscal Year 2013-14.

On April 17, 2013, the PERS Board of Administration approved a change to PERS amortization and smoothing policies. Effective with the June 30, 2013 actuarial valuations (expected to be prepared in October 2014), PERS will no longer use an actuarial value of assets and will employ an amortization a smoothing policy that will spread rate increases or decreases over a five-year period, and will amortize all experience gains or losses over a fixed 30-year period. Prior to this change, PERS policy was to spread investment gains and losses over a 15-year period and experience gains and losses over a rolling 30-year period.

California Public Employees' Pension Reform Act of 2013. In September 2012, the Governor approved Assembly Bill 340, the California Public Employees' Pension Reform Act of 2013 ("PEPRA"). Among other things, PEPRA establishes new retirement formulas for New Members and prohibits public employers from offering defined benefit pension plans to New Members that exceed the benefits provided thereunder. PEPRA increases the retirement age for new State, school, city and local agency employees depending on job function and limits the annual PERS and CalSTRS pension benefit payouts. PEPRA applies to all public employers except the University of California, charter cities and charter counties. However, PEPRA is applicable to those entities which contract with PERS.

PEPRA establishes a "standard" that employees pay at least 50% of normal costs and that employers not pay any of the required employee contribution. This standard is implemented differently for "New Members" (members hired on or after January 1, 2013 and designated as "new members") and Classic Members (employees hired on or before December 31, 2012 (or hired after that date and not designated as "new members"). New Members have a mandatory employee contribution rate of at least 50% of the normal cost rate for their defined benefit plan, and the employer is prohibited from paying this contribution on the employee's behalf. For Classic Members, the employer may elect to establish a contribution rate equal to 50% of normal cost rate, not to exceed 8% of pay for local miscellaneous or school members, not more than 12% of pay for local police officers, local firefighters, and county peace officers, and not more than 11% of pay for all local safety members. PEPRA requires employers to complete a good faith bargaining process as required by law prior to implementing changes in the employee contribution rate for Classic Members, and further provides that employers cannot impose those changes without the agreement of the affected bargaining unit prior to January 1, 2018. As under preexisting law, employers may elect to reduce or eliminate any employer payment toward the employee contribution for Classic Members at any time, subject to the good faith bargaining process required by law.

In addition, PEPRA amends existing laws to redefine final compensation for purposes of pension benefits for New Members. Further, PEPRA permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to New Members. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to PEPRA requirements unless, among other things, its retirement system's chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under PEPRA. The County is currently reviewing PEPRA, and has taken steps to implement the above-described cost-sharing standard for both New Members and Classic Members. However, the full impact of PEPRA upon the County is currently unknown and the County cannot predict the extent to which PEPRA will impact its contributions to PERS.

Safety Plan. Safety employees hired on or before December 31, 2012 (or hired after that date and not designated as "new members") are eligible for the PERS 3% at 55 plan, based on the single highest year of salary. These employees pay an employee contribution rate to PERS equal to 9% of their salary (and such contribution is not paid by the County).

Safety employees hired on or after January 1, 2013 and designated as "new members" to PERS are eligible for the PERS 2.7% at 57 years of age plan, based on the average salary for the three highest years. These employees pay an employee contribution rate to PERS equal to 10.75% of their salary (and such contribution is not paid by the County).

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The below table provides a recent history of the employer contribution rates for the County's safety plan. The employer contribution is expressed as a percentage of payroll, as described above. PERS projected the payroll of the County employees participating in the safety plan to be $20,216,078 during Fiscal Year 2013-14 and $20,656,591 during Fiscal Year 2014-15. This table does not account for prepayments or benefit changes made in the middle of the year.

COUNTY OF KINGS
SAFETY PLAN EMPLOYER CONTRIBUTION RATES
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2010-2011	13.750%	1.685%	15.435%
2011-2012	14.239	2.249	16.488
2012-2013	14.129	2.097	16.226
2013-2014	14.600	2.851	17.451
2014-2015	14.583	4.299	18.882

Source: CalPERS Actuarial Valuation June 30, 2012, Safety Plan of the County of Kings.

The table below shows the recent history of the County's Safety Plan funding status. The Actuarial Value of Assets is used to establish funding requirements. The funded ratio based on the Market Value of Assets is an indicator of the short-term solvency of the plan.

COUNTY OF KINGS
SAFETY PLAN FUNDING HISTORY
Fiscal Years 2010-11 through 2014-15

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio AVA	Funded Ratio MVA	Annual Covered Payroll
06/30/08	$138,613,602	$133,358,580	$135,552,905	96.2%	97.8%	$18,253,435
06/30/09	146,892,194	140,267,899	102,359,801	95.5	69.7	18,311,261
06/30/10	153,953,560	147,464,928	115,433,567	95.8	75.0	18,464,314
06/30/11	166,546,673	156,093,387	138,550,768	93.7	83.2	18,500,575
06/30/12	175,238,734	162,957,735	135,874,564	93.0	77.5	18,903,707

Source: CalPERS Actuarial Valuation June 30, 2012, Safety Plan of the County of Kings.

Miscellaneous Plan. Miscellaneous employees hired on or before December 31, 2012 (or hired after that date and not designated as "new members") are eligible for the PERS 2% at 55 plan, based on the single highest year of salary. These employees pay an employee contribution rate to PERS equal to 7% of their salary (and such contribution is not paid by the County).

Miscellaneous employees hired on or after January 1, 2013 and designated as "new members" to PERS are eligible for the PERS 2% at 62 plan, based on the average salary for the three highest years. These employees pay an employee contribution rate to PERS equal to 6.25% of their salary (and such contribution is not paid by the County).

The below table provides a recent history of the employer contribution rates for the County's miscellaneous plan. The employer contribution is expressed as a percentage of payroll, as described above. PERS projected the payroll of the County employees participating in the miscellaneous plan to be $49,459,262 during Fiscal Year 2013-14 and $49,888,324 during Fiscal Year 2014-15. This table does not account for prepayments or benefit changes made in the middle of the year.

COUNTY OF KINGS
MISCELLANEOUS PLAN EMPLOYER CONTRIBUTION RATES
Fiscal Years 2010-11 through 2014-15

Required by Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2010-2011	7.535%	2.200%	9.735%
2011-2012	7.157	3.239	10.396
2012-2013	7.139	3.410	10.549
2013-2014	7.404	3.742	11.146
2014-2015	7.296	4.596	11.892

Source: CalPERS Actuarial Valuation June 30, 2012, Miscellaneous Plan of the County of Kings.

The table below shows the recent history of the County's Miscellaneous Plan funding status. The Actuarial Value of Assets is used to establish funding requirements. The funded ratio based on the Market Value of Assets is an indicator of the short-term solvency of the plan.

COUNTY OF KINGS
MISCELLANEOUS PLAN FUNDING HISTORY
Fiscal Years 2010-11 through 2014-15

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio AVA	Funded Ratio MVA	Annual Covered Payroll
06/30/08	$212,155,875	$197,990,793	$201,664,460	93.3%	95.1%	$46,813,581
06/30/09	228,858,969	208,741,913	152,670,399	91.2	66.7	46,025,287
06/30/10	240,233,601	219,802,384	172,550,861	91.5	71.8	45,250,618
06/30/11	256,950,451	232,098,152	206,568,130	90.3	80.4	45,262,231
06/30/12	269,402,794	242,972,174	202,667,012	90.2	75.2	45,654,884

Source: CalPERS Actuarial Valuation June 30, 2012, Miscellaneous Plan of the County of Kings.

Other Post-Employment Benefits.

County retirees are permitted to purchase the health care insurance the County offers to its employees at the full cost of the premium. The County obtained an actuarial valuation from Demsey Filliger & Associates of the County's retiree health insurance program as of July 1, 2012 indicating an actuarial liability for County-paid retiree benefits of $16,768,840. The Accrued Liability component is $8,420,190 as of July 1, 2012, comprised of liabilities of $6,817,467 for active employees and $1,602,723 for retirees. Because the County has not established an irrevocable trust for the pre-funding of retiree healthcare benefits, the Unfunded Accrued Liability (the "UAL") is also $8,420,190. The County's

Annual Required Contributions ("ARC") for Fiscal Year 2012-13 is $1,190,510. The County paid approximately $407,777 for the Fiscal Year 2012-13 in health care costs for its retirees, so the difference between the ARC and pay-as-you-go is an increase of $782,733.

The County's Annual OPEB Cost ("AOC") for Fiscal Year 2012-13 is calculated by making two adjustments to the ARC, based on a Net OPEB Obligation (NOO) of $2,898,911 as of June 30, 2013. The resulting AOC for Fiscal Year 2010-11 is $1,138,822.

Insurance Program

The County has risk management funds (Internal Service Funds) for workers' compensation, health and liability insurance coverage. All insurance programs are partially self-insured. Fund revenues are primarily charges to other funds equal to estimated premiums from self-funded programs including workers compensation insurance premium.

The County is a member of the California State Association of Counties Excess Insurance Authority, a statewide joint powers authority for insurance purposes. This authority is made up solely of public entities. At the present time, the County has coverage limits for excess liability from $500,000 through $25,000,000, excess workers' compensation from $300,000 through $100,000,000 and medical malpractice coverage with limits of $21.5 million over the $5,000 deductible. Fully insured programs include aircraft insurance with limits of $80,000,000, cyber liability insurance with limits of $1,000,000, property insurance with limits of $600,000,000 over the $5,000 deductible and a blanket crime bond program and a pollution liability program with limitations to $10,000,000 for each program.

Outstanding Long-Term Indebtedness

On February 24, 2005, the Kings County Public Financing Authority issued a total of $11,470,000 lease revenue bonds (the "2005 Lease Bonds") to assist the County in financing a portion of the costs of the construction of certain capital improvements that comprised jail facilities in the County. These bonds mature April 1, 2028, but are subject to optional, extraordinary and mandatory redemption. As of June 30, 2013, the outstanding principal balance on these bonds was $8,515,000.

On June 29, 2004 and July 1, 2004, the County issued a total of $13,897,565 in taxable Pension Obligation Bonds ("POB") through two separate issuances. These POBs financed the County's payment of $13.5 million in UAAL of the County's Safety Plan with PERS. For POB Series A-2, the County issued $7,007,565 in Capital Appreciation Bonds through the California Statewide Community Development Authority. For POB Series B, the County issued $6,890,000 in floating rate securities by private placement. These POBs are unconditional obligations, payable from any legally available source of funds. Total outstanding principal balance on the POBs as of June 30, 2013 was $8,480,037.

On June 30, 2004, the County entered into a 4.5%, 15-year municipal lease agreement for a co-generator project ("Co-Gen Lease") in the principal amount of $2,460,358. The County entered into a 4.85% 20-year lease agreement on September 23, 2008, for a new energy management system and central plant ("Energy Retrofit Lease") upgrade in the principal amount of $7,213,032.36. On June 15, 2011, the County entered into a 4.44% 10-year municipal lease for two new fire trucks ("Fire Trucks Lease") in the principal amount of $949,705.40, and on October 13, 2011, the County entered into a municipal lease at 3.14% for 15 years for a solar project ("Solar Project Lease") with the principal totaling $4,146,889. As of February 28, 2014, these municipal lease agreements had outstanding principal balances of $1,494,590.33 (Co-Gen Lease), $6,610,272.47 (Energy Retrofit Lease), $792,821.90 (Fire Trucks Lease) and $3,681,519.01 (Solar Project Lease), respectively. The combined principal amount of all leases is $12,579,203.71. The lease payments associated with the leases described in this paragraph (collectively, the "Equipment Leases") are payable from the County's general fund, although the County may reimburse itself from special funds that are legally available to pay a portion of such lease payments.

Other than the Project, the County does not currently anticipate any capital improvements to be financed with long-term debt.

Below is a table showing annual debt service debt service for the County's bonds and other long-term obligations.

COUNTY OF KINGS
OUTSTANDING OBLIGATIONS
Fiscal Years 2013-14 through 2029-30

Fiscal Year Ending June 30,	Series 2014 Bonds	2005 Lease Bonds	POBs	Total Payments for Equipment Leases	Total
2014	-	$8,090,000.00	$7,780,975.60	$12,346,148.92	$28,217,124.52
2015	$188,817.22	7,650,000.00	7,087,883.80	11,623,969.79	26,550,670.81
2016	476,100.00	7,190,000.00	6,378,412.80	10,827,251.54	24,871,764.34
2017	478,150.00	6,715,000.00	5,652,709.35	9,995,249.00	22,841,108.35
2018	477,150.00	6,220,000.00	4,910,155.65	9,161,536.05	20,768,841.70
2019	475,750.00	5,705,000.00	4,156,309.20	8,253,382.72	18,590,441.92
2020	476,000.00	5,170,000.00	3,383,772.20	7,338,153.46	16,367,925.66
2021	475,500.00	4,615,000.00	2,592,693.10	6,586,129.37	14,269,322.47
2022	479,250.00	4,035,000.00	1,772,637.30	5,761,547.01	12,048,434.31
2023	477,000.00	3,430,000.00	911,343.20	4,979,520.52	9,797,863.72
2024	479,000.00	2,800,000.00	-	4,120,400.57	7,399,400.57
2025	475,000.00	2,145,000.00	-	3,179,062.49	5,799,062.49
2026	475,250.00	1,460,000.00	-	2,150,078.50	4,085,328.50
2027	476,762.50	745,000.00	-	1,027,706.72	2,249,469.22
2028	477,250.00	-	-	205,062.59	682,312.59
2029	476,675.00	-	-	-	476,675.00

Source: County of Kings Department of Finance.

Debt Burden

Contained within the County's tax code area are numerous municipalities, school districts and special purpose districts providing public services. These entities have outstanding bonds issued in the form of general obligation bonds. Direct debt constitutes debt directly issued by the County while overlapping debt constitutes that portion of debt issued by different public entities within the same tax code area as the County's. The County is not responsible for the overlapping debt of other local agencies. The County has approximately $15.87 million in direct debt.

The statement of direct and overlapping debt (the "Debt Report") set forth below was prepared by California Municipal Statistics, Inc., and dated as of May 29, 2014. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The County takes no responsibility for its completeness or accuracy.

COUNTY OF KINGS
Estimated Direct and Overlapping Bonded Debt
As of June 30, 2014

2013-14 Assessed Valuation: $9,466,594,231 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/14	
College of Sequoias Hanford and Tulare School Facilities Improvement Districts	98.848 & 11.828%	$ 25,303,990	
State Center Community College District	0.209	213,692	
West Hills Community College District and School Facilities Improvement District #3	32.879 & 75.826	18,337,723	
Reef Sunset Unified School District	100.	11,839,489	
Hanford Joint Union High School District	98.848	41,578,482	
Lemoore Union High School District	100.	2,847,372	
Armona Union School District	100.	2,290,000	
Hanford School District	100.	6,673,252	
Pioneer Union School District	100.	4,319,998	
Other School Districts	Various	1,570,517	
Corcoran Hospital District	100.	14,024,431	
City of Hanford Community Facilities District No. 91-1	100.	1,245,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$130,243,946	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Kings County General Fund Obligations	**100. %**	**$ 8,090,000**	(1)
Kings County Pension Obligations	**100.**	**7,780,977**	
Community College District General Fund Obligations	Various	24,955,153	
Reef-Sunset Unified School District Certificates of Participation	100.	2,925,000	
Hanford Joint Union High School District Certificates of Participation	100.	13,497,694	
Pioneer Union School District Certificates of Participation	100.	2,895,000	
Other School District General Fund Obligations	Various	1,711,442	
City of Lemoore Certificates of Participation	100.	1,855,000	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$63,710,266	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$42,240,000	
COMBINED TOTAL DEBT		$236,194,212	(2)

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

Ratios to 2013-14 Assessed Valuation:
Total Overlapping Tax and Assessment Debt..........................1.38%
Combined Direct Debt ($15,870,977)......................................0.17%

Combined Total Debt..2.50%

Ratio to Redevelopment Incremental Valuation ($1,451,045,781):
Total Overlapping Tax Increment Debt...................................2.91%

Source: California Municipal Statistics, Inc.

County Investment Pool

The County maintains an Investment Pool managed by the Treasurer-Tax Collector, which acts as a depository for over 42 units of local government including funds of the County, school districts and special districts.

The County has also formed a Treasury Oversight Committee that reviews the Investment Policy and insures the Treasury activities are in compliance with the investment Policy. The committee meets semiannually and is composed of County officials, a member of the public and representatives of the school districts and special districts.

Investment Policy & Procedures

Investment Objectives. The Pooled Investment Fund is invested to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance.

A. Safety of Principal – The preservation of principal is the primary objective. Each transaction seeks to ensure that capital losses are avoided, whether they are from securities default or erosion of market value. The objective is to mitigate credit risk and interest rate risk. The County Treasurer and the authorized investment staff mitigate credit risk by : (a) limiting investments to the safest types of securities; (b) pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Treasury will do business; and (c) diversifying the investment portfolio so that potential losses on individual securities will be minimized while mitigating interest rate risk by (a) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and (b) by investing operating funds primarily in shorter-term securities.

B. Liquidity – As a second objective, the County Treasurer and the authorized investment staff sustain the Pooled Investment Fund's flexibility to enable the County Treasurer to meet all operating requirements which may be reasonably anticipated in any depositor's fund. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Further, since all possible cash demands cannot be anticipated, additional liquidity is available as needed by maintaining an investment in the State of California's Local Agency Investment Fund ("LAIF").

C. Public Trust – In managing the Pooled Investment Fund, the County Treasurer and the authorized investment staff avoid any transactions that might impair public confidence in the County and the participating local agencies. Investments are made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

D. Maximum Rate of Return - As the fourth objective, the Pooled Investment Fund is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities can be sold prior to maturity for the following reasons: (1) a declining credit security to minimize loss of principal; (2) a security swap to improve the quality, yield, or target duration in the portfolio; or (3) the liquidity needs of the portfolio require that the security be sold.

Investment Policy. The pooled funds are invested in accordance with the County's Investment Policy and the State of California Government Code. The Investment Policy is prepared annually by the Treasurer, who is aided by the County Treasury Oversight Committee, and submitted to the County Board of Supervisors for approval. In general the Investment Policy allows investments as established by the Government Code.

Custodial Clerk. The County maintains a contract with Union Bank of California to provide custodial services for the pool securities.

Apportionment of Earnings. Interest income from investments along with profits or losses from the sale of individual securities are apportioned quarterly on an accrual basis to pool members based on an average daily balance.

Portfolio Oversight. The Board of Supervisors, in consultation with the County Treasurer, has created a seven member County Treasury Oversight Committee to allow local agency representatives participation in the policies that guide the investment of depositor funds. The primary responsibilities of the committee include: (a) to review and monitor the County Treasurer's Statement of Investment Policy, (b) to cause an annual audit to be conducted to determine the County Treasury's compliance, and (c) to establish criteria for depositor withdrawal of funds for the purpose of investing or depositing outside the County Treasury pool.

Current Status of the Investment Portfolio. The size of the Treasury Investment Portfolio is $265,210,831.10 (book value) as of February 28, 2014. Throughout the year the Treasury typically ranges from about $250 million to $306 million depending on the tax collection schedule. The average days to maturity for the portfolio is 749 days. There are no leverage or derivatives in the portfolio.

Credit Quality. As of February 28, 2014, 2014, the County's Investment Pool was composed of investments with 48.92% rated Aaa, 22.88% rated Aa1-Aa3, and 9.31% rated A1. The remaining 18.89% of the Investment Pool is invested in LAIF (defined above), which is not rated.

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Investment Summary Report. The following table sets forth a summary of the County's investments, by type of investment, as of April 30, 2014.

COUNTY OF KINGS TREASURY
INVESTMENT PORTFOLIO SUMMARY
as of April 30, 2014[1]

Investments	Book Value	Percent of Portfolio
Government Agency Coupon Securities	$147,346,182.00	51.95%
Negotiable Certificates of Deposit	3,000,000.00	1.06%
LAIF-Local Agency Investment Fund	50,000,000.00	17.63%
Medium Term Notes	67,799,793.00	23.90%
Collateralized Time Deposits	5,000,000.00	1.76%
Rabobank Collateralized Deposit Acct	10,246,281.00	3.61%
Cal TRUST	250,058.00	0.09%
Investments Total	$283,642,314.00	100.00%
Total Cash and Investments		
Total Earnings- April 2014 Month Ending		
Current Year	$ 180,051.00	
Average Daily Balance	271,857,614.00	
Effective Rate of Return	0.81%	
Total Earnings- Fiscal Year to Date		
Current Year	$ 1,515,482.00	
Average Daily Balance	$261,755,189.00	
Effective Rate of Return	0.70%	

[1] Numbers may not total due to rounding.
Source: County of Kings Department of Finance.

Transportation

Over 200 major carriers operate in and around the County, providing interstate trucking services. Interstate 5 and Highways 198, 41 and 43 transverse Kings County. Highway 99 is within 5 miles of the county line. Burlington Northern Santa Fe and Union Pacific Railroads provide freight service, including refrigerated shipping, piggyback service and reciprocal switching while the San Joaquin Valley Railroad provides east-west “Short-line” services.

Newly remodeled Amtrak passenger stations are located in Hanford and Corcoran. Fresno-Yosemite International Airport is located approximately 40 minutes from Kings County and Municipal airports are available in Hanford and Corcoran. Los Angeles International and San Francisco International Airports are each located within approximately 3 1/2 hours of the County.

Education and Community Services

Public school education is available through 19 public elementary schools, 7 public high schools and 2 unified public school districts. Additionally, the Mary Immaculate Queen School, a private, Catholic elementary school, the Armona Union Academy, a private, Christian K-12 school, Hanford Christian School, a private, Christian K-8 school and Kings Christian School, a private, Christian K-12 school are located in the County.

Population Characteristics

The following table shows the estimated population of the County for the years 2010 to 2014.

COUNTY OF KINGS
POPULATION
as of January 1

Year	Population
2010(1)	152,982
2011	152,533
2012	151,774
2013	151,127
2014	150,181

(1) As of April 1, 2010.
Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State, January 2011- 2014, with 2010 Benchmark, May 2014.

Labor Market and Unemployment Rate

The table below lists figures for the civilian labor force and comparative unemployment rates for the years 2010 to April, 2014.

COUNTY OF KINGS
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGE(1)

	2010	2011	2012	2013	April 2014(2)
Labor Force	61,600	61,200	60,800	60,000	58,500
Employment	51,400	51,200	51,600	51,900	50,900
Unemployment	10,200	9,900	9,200	8,100	7,600
Unemployment Rate	16.5%	16.2%	15.1%	13.5%	13.1%

(1) Data not seasonally adjusted.
(2) Preliminary data for the month of April 2014, not annual average.
Source: State of California, Employment Development Department.

Major Employers The following table lists the major employers in the County and their type of business:

COUNTY OF KINGS
MAJOR EMPLOYERS
2013

Employer	Number of Employees	Industry
Naval Air Station & Hospital, Lemoore	7,900	Military Facility
California State Prisons (3)	5,306	State Corrections
Kings County School Districts	4,058	Education
Tachi Palace Hotel & Casino	2,100	Hospitality
Adventist Medical Center	1,406	Health Services
County of Kings	1,365	Local Government
J.G. Boswell Company	1,300	Diversified Farming
Leprino Foods	1,285	Cheese Production
Del Monte Foods Co	1,240	Specialty Canning
Olam Tomato Processors	1,000	Tomato Processing
Warmerdam Packing	650	Fruit Packing
Excelsior Farming	630	Fruit Packing
Walmart Stores, Inc.	600	Discount Department Store
Central Valley Meat Co., Inc.	460	Meat Processing
Olam Spices & Vegetables	425	Dehydrated Vegetables
Marquez Brothers International, Inc.	288	Cheese Production
Lemoore High School	250	Secondary Education
Zepeda's Farm Labor Svc	250	Employment Agencies
K Mart	220	Discount Department Store
J.G. Boswell Tomato Company	167	Tomato Processing

Source: Kings County Economic Development Corporation.

Agriculture and Industry

The County's largest industry employers include government, agriculture and trade, transportation and utilities employment sectors. Government positions currently account for approximately 33.2% of total employment in the County. In agriculture, the second largest industry employment sector (accounting for approximately 14.8% of employment), the County currently ranks eighth in the state in terms of agricultural production value. The Tulare Lake Basin area supports extensive cotton and tomato farming operations, and the top five crops by value were milk, cotton and cottonseed, cattle, almonds and pistachios. In recent years, the County has successfully diversified its economy by building upon this strong agricultural base by expanding into the food processing industry with the processing of garlic, cotton, tomatoes and cheese. Jobs in the trade, transportation and utilities employment sector provided approximately 13.2% of all employment in the County, particularly in the area of retail trade.

The following table shows the value of agricultural production for the leading commodities in the County for 2009 through 2013.

COUNTY OF KINGS
VALUE OF AGRICULTURAL PRODUCTION
For Years 2009 through 2013
(in thousands of dollars)

	2009	2010	2011	2012	2013
Apiary Products	$ 5,982,000	$ 6,548,000	$ 6,656,000	$ 6,972,000	$ 7,801,000
Field Crops	312,067,000	448,935,000	612,949,000	614,944,000	591,715,000
Fruit and Nut Crops	253,440,000	319,122,000	412,088,000	412,643,000	513,872,000
Livestock and Poultry	146,509,000	161,417,000	191,853,000	265,548,000	213,050,000
Livestock and Poultry Products	418,682,000	568,050,000	811,523,000	704,865,000	777,477,000
Seed Crops	5,652,000	7,433,000	7,485,000	5,858,000	10,274,000
Vegetable Crops	177,931,000	206,466,000	177,015,000	184,184,000	152,989,000
TOTAL	$1,320,263,000	$1,717,971,000	$2,219,569,000	$2,215,014,000	$2,267,178,000

Source: County of Kings Department of Finance.

Drought conditions currently exist in the State of California and the County. The County does not expect the drought to significantly impact agricultural production in 2014. However, if drought conditions continue, the drought may negatively impact agricultural production in future years and weaken the economy in the County, resulting in a reduction in revenues received by the County (i.e. lower sales tax revenues and reduction in assessed value).

Commercial Activity The following table shows the County's taxable transactions from Fiscal Years 2008-09 through 2012-13.

COUNTY OF KINGS
Taxable Sales (Unincorporated Area)
For Fiscal Years ended June 30, 2009 through 2013
(Cash Basis)

Category	FY 2008-09	FY 2009-10	FY 2010-11	FY2011-12	FY 2012-13
Autos and Transportation	$ 15,926,900	$ 8,893,900	$ 9,907,600	$ 8,765,400	$ 8,920,300
Building and Construction	7,479,800	1,764,000	4,553,500	5,093,800	6,497,300
Business and Industry	51,667,100	38,303,300	47,470,400	62,257,300	54,388,200
Food and Drugs	6,633,100	5,836,900	8,091,400	6,969,600	7,089,900
Fuel and Service Stations	69,810,600	56,616,200	66,977,900	75,440,700	78,499,300
General Consumer Goods	1,749,300	1,830,400	1,818,500	2,655,900	2,521,800
Restaurants and Hotels	16,073,900	17,779,100	16,203,100	18,346,300	18,061,300
TOTALS	$ 169,340,700	$ 131,023,800	$ 155,022,400	$ 179,529,000	$ 175,978,100

Source: HdL Companies.

Personal Income. In 2012, the County had a per capita personal income (PCPI) of $31,835. This PCPI ranked 51st in the state and was 68 percent of the state average, $46,477, and 73 percent of the national average, $43,735. The 2012 PCPI reflected an increase of 0.2 percent from 2011. The 2011-2012 state change was 4.1 percent and the national change was 3.4 percent (Source: U.S. Department of Commerce, Bureau of Economic Analysis).

Construction Activity. The following table provides a building permit valuation summary for the County for 2009 through 2013.

COUNTY OF KINGS
BUILDING PERMIT VALUATION
FOR YEARS 2009-13
(in millions of dollars - rounded)

Type of Permit	2009	2010	2011	2012	2013
Residential Valuation:	$36.0	$39.0	$32.0	$46.0	$56.0
Non Residential Valuation:	30.0	41.0	18.0	21.0	15.0
Total Valuation	$66.0	$80.0	$50.0	$67.0	$71.0

Source: Kings County Economic Development Corporation.

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APPENDIX B

COUNTY OF KINGS AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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STATE OF CALIFORNIA

County of Kings

Annual Basic Financial Report

For the Fiscal Year Ended

June 30, 2013

Rebecca Carr, CPA, CGMA

Director of Finance

COUNTY OF KINGS
FOR THE YEAR ENDED JUNE 30, 2013

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Introductory Section

COUNTY OF KINGS
DEPARTMENT OF FINANCE

REBECCA CARR, CPA CGMA ▪ DIRECTOR OF FINANCE
1400 W. LACEY BLVD ▪ HANFORD, CA 93230

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TAX COLLECTOR ▪ TREASURER DIVISION
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FAX: (559) 582-1236

December 24, 2013

The Honorable Members of the Board of Supervisors
Citizens of the County of Kings, California:

The Annual Basic Financial Report of the County of Kings (County) for the fiscal year ended June 30, 2013, is hereby submitted as mandated by Sections 25250 and 25253 of the Government Code of the State of California. These statues require that the County publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

These financial statements were independently audited by the firm of Brown Armstrong Accountancy Corporation, licensed certified public accountants authorized to conduct audits in accordance with auditing standards generally accepted in the United States of America.

This report consists of management's representations concerning the finances for the County. Therefore, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the County relies on internal controls established to present sufficient, reliable information for the preparation of the County's financial statements. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Brown Armstrong Accountancy Corporation, Certified Public Accountants, issued an unqualified ("clean") opinion on the County of Kings' financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standard governing the Single Audit engagement requires the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls over compliance involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

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

Profile of the Government

The County of Kings, incorporated in 1893, is positioned midway between Los Angeles and the Bay Area, in the heart of California's San Joaquin Valley. The County covers 1,391 square miles with four incorporated cities within the County: Hanford, Lemoore, Corcoran, and Avenal. The City of Hanford is the County seat. Located seven miles West of Lemoore is Naval Air Station Lemoore, the home of the west coast fighter squadrons with a military and civilian workforce exceeding 10,000.

The County of Kings is home for two major State Prisons at Corcoran and Avenal with a total population in excess of 20,000. The County of Kings is bordered by Fresno County to the North, Kern County to the South, Tulare County to the East, Monterey County to the Northwest, and San Luis Obispo County to the Southwest. Los Angeles and San Francisco International Airports are each about 3 ½ hours away. Fresno Yosemite International Airport is 35 miles North and Visalia Municipal Airport is 15 miles West from the County's population centers.

The County is governed by a five-member Board of Supervisors (Board) that are elected by district. Members serve staggered four-year terms with elections held every two years and the Chair is elected by the Board members. Other elected officials include the Assessor/Clerk-Recorder, Sheriff-Coroner, and District Attorney. The County Administrative Officer is appointed by the Board. County administration consists of appointed and elected officials, boards, commissions, and committees that assist the Board of Supervisors.

As the governing body for the County, the Board is responsible for the planning and providing of services related to public needs, as required by state and federal law including: adopting the annual budget, adopting County ordinances, setting policies, confirming appointments of most non-elected officials, and assisting citizens in solving problems and addressing local concerns. The County is specifically charged by the State with providing services to the most at risk: children, the elderly, the poor, those with health problems, and those involved in the criminal justice system. As a countywide government, we also facilitate and coordinate the work of school districts, special districts, cities, and other organizations.

The County provides a wide range of services to its residents including: Public and Mental Health Services, Child Protection and Social Services, Public Assistance, Family Support Collections, Criminal Prosecution, Public Defender, Law Enforcement, Jails and Juvenile Facilities, Veterans Services, Maintenance of Roads & Bridges, Land Use Issues, Building and Safety, Libraries, Parks, Elections, Coroner, and Agricultural Weights & Measures.

The operations of some component units are so intertwined with those of the County of Kings that they function, for all practical purposes, as an integral part of the County despite their separate legal status and should be 'blended' with the financial statement reports in accordance with accounting principles generally accepted in the United States of America. Blended component units of the County include the Kings County Finance Authority for jail facility construction, Children and Families First Commission for early childhood development services, and In-Home Supportive Services (I.H.S.S.) Public Authority Fund for providing in-house care for the elderly, blind, and disabled.

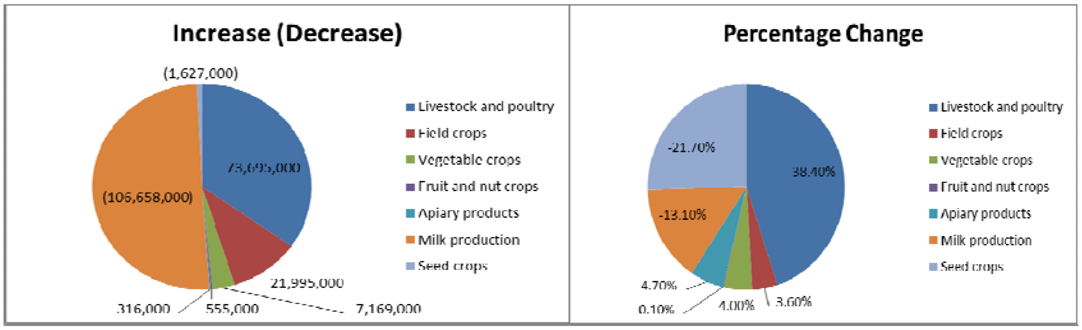
The County of Kings is strategically located between Interstate 5 and Highway 99, providing excellent access to all of California. Over 200 major carriers provide interstate trucking services to area businesses. Burlington Northern Santa Fe and Union Pacific Railroads provide freight service, including refrigerated shipping, piggyback service, and reciprocal switching. San Joaquin Valley Railroad provides east-west "short line" services. Amtrak meets passenger needs at the Hanford and Corcoran stations.

Local Economy

The County's current population is 152,739 and is projected for expansion to 176,427 by 2020, and to 245,525 by 2040. Kings County has a civilian workforce of 62,100 and the average annual unemployment rate is 11.9 percent as of October 2013.

The gross value of all agricultural crops and products produced during 2012 in Kings County was $2,215,014. This represents a slight decrease of $4,555,000 (0.2%) from the 2011 record value.

These changes are comprised of the following:



Livestock and Poultry had the largest increase in value at $73,695,000 (34.8%). Field Crops increased $21,995,000 (3.6%) due primarily to increased cotton and wheat yields, as well as the wheat price.

The government sector in Kings County accounts for 26% of all jobs and represents the largest source of employment in the County. Other sectors, such as Agriculture (17%); Trade (12%); Manufacturing (8%); Educational and Health Services (20%); Leisure and Hospitality (9%); Professional Business Services and Financial Activities (8%); Transportation and Warehousing and Utilities (5%); and Construction (4%) represent the other major contributors of jobs to the local economy.

Factors Affecting Financial Condition

The annual budget serves as the foundation for the County's financial planning and control. All agencies under the control of the Board of Supervisors are required to submit budget requests to the County Administrator for review. The County Administrator recommends a proposed budget to the Board for consideration and approval. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by September 30th of each year.

The budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff). Board action is required to approve new funding sources and new appropriations for expenditures. Transfers of appropriations between funds as well as transfers between departments of the same fund require the Board’s approval.

2012-13 was the first full fiscal year with “Realignment 2011” in effect. The County received just slightly over $6 million in 2012-13. This shift of low-level offenders to County responsibility has resulted in over 40 new positions being created.

The County’s General Fund had revenues that exceeded expenditures by $5.9 million. A total of $2.4 million was transferred out, including the Special Revenue Fund ($925 thousand) supporting the ongoing operations of the Fire Department, and the In-Home Supportive Services (I.H.S.S.) Department $144 thousand. This resulted in a $2.4 million draw down of existing fund balance leaving a residual General Fund balance of $24.6 million as of June 30, 2013.

Major Initiatives

Kings County will be expanding our Main Jail Facility to meet the demands of Realignment 2011. This $40 million dollar project would include 170 additional beds for inmates to avoid early releases. This expansion is necessary due to the effect of realignment of State prisoners to the County Jail. This expansion is possible due to State funding of over $30 million.

Capital projects completed in 2012-13 County include:

Project	Cost	Funding Source
Solar Project	$4,147,023	Lease Funding
Gateway Park Improvements	$482,711	Fund Balance

Ongoing capital projects include:

Project	13/14 Budget	Funding Source
New Jail	$39,584,222	AB 900 funding Impact fees Other Financing
Jail Tunnel	$3,247,635	State funding for Realignment 2011
Kings County Morgue	$2,202,393	Existing fund balance Impact fees

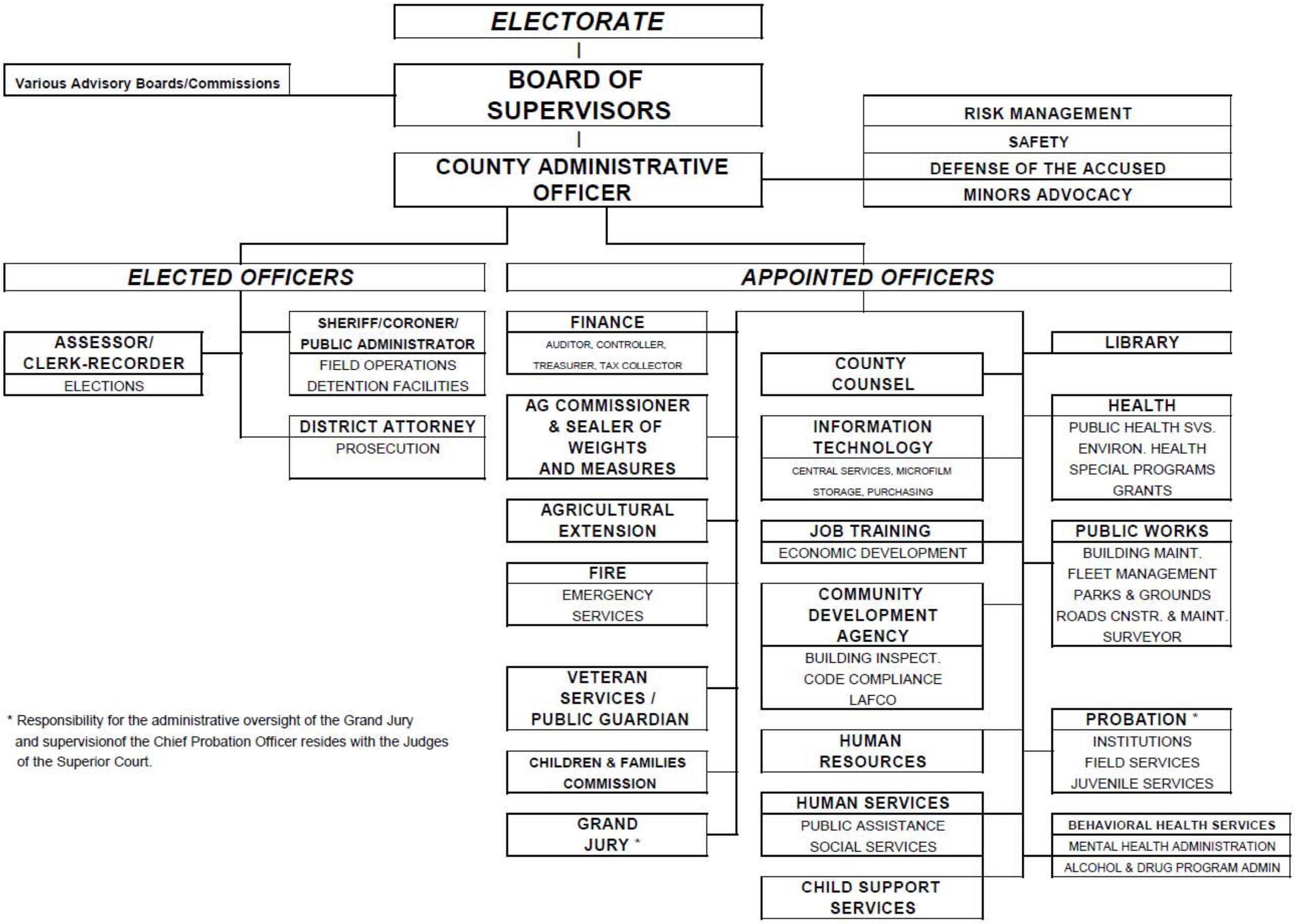
Acknowledgements

The preparation of the Annual Basic Financial Report was made possible by the dedicated services of the staff of the Department of Finance. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I acknowledge the leadership and support provided by the Board of Supervisors and the County Administrator which have made the preparation of this report possible.

Respectfully submitted,

Rebecca Carr, CPA, CGMA
Director of Finance

ORGANIZATION OF KINGS COUNTY GOVERNMENT



* Responsibility for the administrative oversight of the Grand Jury and supervisionof the Chief Probation Officer resides with the Judges of the Superior Court.

COUNTY OF KINGS
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2013

ELECTED OFFICIALS

Supervisor – District 1	Joe Neves
Supervisor – District 2	Richard Valle
Supervisor – District 3	Doug Verboon
Supervisor – District 4	Tony Barba
Supervisor – District 5	Richard Fagundes
Assessor/Clerk-Recorder	Ken Baird
District Attorney	Greg Strickland
Sheriff/Coroner/Public Administrator	David Robinson

APPOINTED OFFICIALS

County Administrative Officer	Larry Spikes
Director of Finance	Rebecca Carr, CPA, CGMA
County Counsel	Colleen Carlson
Clerk to the Board	Catherine Venturella
Agriculture Commissioner/Sealer	Tim Niswander
Agricultural Extension	Jim Sullins
Veterans Services/Public Guardian	Joe Wright
First 5 Children and Families Commission Director	Vacant
Information Technology Director	Mark Dawson
Job Training Office Director	John Lehn
Library Director	Natalie Rencher
Human Resources Director	Allison Picard
Human Services Department Director	Peggy Montgomery
Child Support Services Department Director	Linda Warford
Public Health Director	Keith Winkler
Public Works Director	Kevin McAlister
Planning Director	Gregory Gatzka
Fire Chief	Bill Lynch
Chief Probation Officer	Steve Brum
Behavioral Health Services Director	MaryAnn Ford-Sherman

Financial Section

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Kings
Hanford, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Kings, California, (the County) as of and for the year ended June 30, 2013, 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 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2013, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary information for the General Fund and Road Fund, 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, budgetary comparison schedules for the Debt Service Fund and Capital Projects Fund, and combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules for the Debt Service Fund and Capital Projects Fund and 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 budgetary comparison schedules for the Debt Service Fund and Capital Projects Fund and the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 December 24, 2013, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 24, 2013

COUNTY OF KINGS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

As management of the County of Kings (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vi of this report. Readers should also review the notes that pertain to the basic financial statements to enhance their understanding of the County's financial performance. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $134,548,083 (net position) and from this amount $53,652,934 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors. (See page 13 Statement of Net Position.)

- The County's total net position increased by $3,514,820 or 1.5% in fiscal year 2013 compared to fiscal year 2012, offset by a prior period adjustment of $(4,990,506), for a total change of $(1,475,686), or 1.1%. The amount invested by the County in capital assets (net of related debt) increased by 1.38% or $1,086,617. (See page 14 Statement of Net Position.)

- Restricted assets set aside for debt decreased to $881,118 in fiscal year 2013 compared to $891,721 in fiscal year 2012. No funds for construction were reserved in fiscal years 2012 and 2013.

- Current and other assets decreased by $339,965 in fiscal year 2013 while capital assets increased by $1.8 million compared to fiscal year 2012.

- The County's total liabilities increased by $3,011,282 (3.6%) during the current fiscal year.

- The statement of activities (page 15) shows program expenditures for primary government programs in fiscal year 2013 to be $187,224,312. Program revenues of $151,725,333 derived from charges for services $12,044,013 and grants/contributions $139,681,320. The remaining balance of $35,498,979 represents the net expense to the County for these programs.

- As of the close of the current fiscal year, the County governmental funds balance sheet (page 16) reported combined ending fund balances of $54,089,472, a decrease of $4,123,077 or 7.08% in comparison with fiscal year 2012. This is the result of the decrease of fund balance from operations $3,017,351 and a total prior period adjustment of $1,105,726.

- Approximately $24 million of the total combined ending fund balance amount is available for spending at the County's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $24,528,047, or 16% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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

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 showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years, such as revenues related to uncollected taxes.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, public assistance, health and sanitation, public ways and facilities, culture and recreation, highways and streets, and education. The business-type activities of the County include the following Internal Service Funds: Workers' Compensation Self-Insurance, Fleet Management, Information Services, Health Self-Insurance, and Public Works Funds. The government-wide financial statements can be found on pages 14-15 of this report.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Projects Fund, and Road Fund (a special revenue fund), all of which are considered major funds. Data from the remaining governmental funds, which represent special revenue funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The County maintains internal service funds as an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles, information systems management, public works department, workers' compensation, and health self-insurance funds. Because these services predominantly reflect and benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements combine the internal service funds into a single, aggregated presentation. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 26-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. In addition, a budgetary comparison schedule for the General Fund and for the Road Fund is required in order to demonstrate compliance with the annual adopted budget. Required supplementary information can be found on pages 53-57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the required supplementary information on pensions and budget comparisons. Combining and individual fund statements and schedules can be found on pages 58-91 of this report.

Government-Wide Financial Analysis

As noted earlier and shown below, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceed liabilities by $134,548,083 at the close of the most recent fiscal year.

County of Kings
Net Position
Governmental Activities

	2013	2012
Assets:		
Current assets and other assets	$ 107,355,396	$ 107,695,361
Capital assets	113,819,090	111,943,529
Total assets	221,174,486	219,638,890
Liabilities:		
Long-term liabilities outstanding	51,122,736	51,650,545
Other liabilities	35,503,667	31,964,576
Total liabilities	86,626,403	83,615,121
Net assets:		
Net investment in capital assets	80,014,031	78,927,414
Restricted	881,118	891,721
Unrestricted	53,652,934	56,204,634
Total net position	$ 134,548,083	$ 136,023,769

The largest portion of the County's net position, $80,014,031 (59%), reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, construction in progress, and infrastructure), less any related outstanding debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position amounting to $881,118 (1%) represents resources subject to external restrictions on how they may be used. This restricted net position is to be used only for debt service payments related to the lease revenue bonds. For fiscal years 2013 and 2012 there were no restricted funds set aside for ongoing construction as there were in the prior fiscal year. The remaining balance of unrestricted net position of $53,652,934 (40%) may be used to meet the County's ongoing obligations to citizens and creditors.

The County's total net position decreased by $1,475,686 (1.08%). Following the logic of the statement of activities, this increase can be explained in part as the difference between total general revenues of $39,013,799 and the net expense of the primary government functions of $35,498,979. Public Safety, a governmental function, cost the citizens of the County $61,559,740 in fiscal year 2013. The financial resources to cover this expense derived from Charges for Services of $5,501,622 and Operating Grants and Contributions of $27,107,358. The shortfall of $28,950,760 must be met by other resources with the principal source coming from taxes. Governmental Accounting Standards Board (GASB) Statement No. 34 dictates that ten principal categories constitute Governmental Activities as shown on page 15. The General Revenue sources are listed on page 15 and shown below.

Total liabilities increased by $3,011,282 in fiscal year 2013. Liabilities are reported net of impact fees that are considered property tax revenues for government-wide reporting purposes rather than as an unearned liability for governmental funds. Liabilities include continued debt service payments for the pension obligation bonds $7,780,976, lease revenue bonds of $8,090,000, and capital leases of $12,919,240.

Governmental activities. Governmental activities increased the County net position by $3,514,820, offset by a prior period adjustment of $(4,990,506). Key elements of the increase in net position are as follows:

County of Kings
Changes in Net Position
Governmental Activities

	2013	2012
Revenues:		
Program revenues:		
Charges for services	$ 12,044,013	$ 14,697,607
Operating grants and contributions	133,945,201	135,899,940
Capital grants and contributions	5,736,119	-
General revenues:		
Property taxes	26,506,051	19,719,792
Other tax revenue	3,610,683	3,469,098
Other	8,897,065	8,656,954
Total revenues	190,739,132	182,443,391
Expenses:		
General government	17,302,338	17,082,790
Public safety	61,559,740	59,218,759
Public ways and facilities	123,716	278,074
Highways and streets	9,150,427	6,532,679
Health and sanitation	28,430,356	26,917,606
Public assistance	64,090,422	59,435,316
Education	2,168,093	1,844,068
Culture and recreation	1,920,799	1,813,569
Unallocated depreciation	1,136,418	5,171,281
Interest on long-term debt	1,342,003	2,340,215
Total expenses	187,224,312	180,634,357
Extraordinary items	-	1,245,848
Increase in net position	3,514,820	3,054,882
Beginning net position	136,023,769	133,934,695
Prior period adjustment	(4,990,506)	(965,808)
Ending net position	$ 134,548,083	$ 136,023,769

- Property tax revenues increased $6,786,259 or 34.41% during fiscal year 2013. Assessed values of properties increased 1.441% from fiscal year 2012. However, total delinquencies decreased to $6,960,920 (10%) from $7,675,155 the prior year due to foreclosures and taxpayers inability to make the payments. These revenues have also been impacted by the major drop in construction projects due to the current economic conditions.

- Sales taxes increased $178,915 or 8.80%. Early estimates for fiscal year 2014, based on research and data provided by Hinderliter de Llamas and Associates, project an upswing in sales tax revenues for the San Joaquin Valley in general.

- Franchise taxes decreased $35,211 or 3.04%. Franchise taxes are derived from companies with telephone poles, lines, and other equipment throughout the County who pay franchise taxes based on their incomes from contracted agreements in lieu of paying property taxes.

- Rents and concessions revenue increased by $98,146.

- Tribal gaming revenues were $900,000 in fiscal year 2013 as there was no additional State funding above the $900,000 contributed by the Tachi Palace Hotel and Casino.

- The $3,781,380 (net) increase in operating grants and contributions can be attributed to decreases of $1,079,710 from highways and streets, $231,856 from health and sanitation, $93,266 from culture and recreation, and $2,065 from education. This was offset by increases in general government of $2,500,317, in public safety of $2,409,194, and in public assistance of $278,766.

- Investment earnings decreased by $1,658,562 as historically low interest rates continue unabated. Average investment returns dropped from 1.11% in fiscal year 2012 to 0.74% in fiscal year 2013. This is the net yield on pooled treasury funds, the rate pooled investments earn after expenses are deducted for administration and fees, from the Kings County Report of Interest Earnings.

- Miscellaneous revenues, the catchall category on the statement of activities, witnessed an increase of $2,061,093 or 27.33%. This was primarily due to an increase of programs in the General Fund which increased the miscellaneous revenues in the amount of $1,752,066. Other increases consisted of: Roads $516,379, JTO $297,147, I.H.S.S. $230,649, Library $221,666, and Children and Families First Commission $20,324. These decreases were partially offset by increases in revenues such as, Capital Projects $750,234, Fire $226,023, and Child Support Services $881.

Financial Analysis of the County's Funds

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The County segregates from the General Fund a number of significant functions in major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, Capital Projects, and Debt Service Funds, all considered major funds. Data for the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $54,089,472, a decrease of $4,123,077 (7.08%) in comparison with the prior fiscal year. Approximately 45% of this total amount or $24,181,524 constitutes unassigned fund balance, which is available for spending at the County's discretion. A total of $10,498,323 has been assigned, or constrained for use by the County's intent to be used for a specific purpose but is neither restricted nor committed; of this amount, $10,049,041 is for the purpose of advances and loans to other governmental funds, $423,698 is for the purpose of repayment of debt service, and imprest cash of $25,584. The remainder of fund balance is restricted, resources subject to external restrictions on their use, or by enabling legislation (1) to pay debt service $1,306,119, and (2) for other restricted purposes $18,103,507.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was $24,528,047, while total ending fund balance for the General Fund at the conclusion of fiscal year 2013 was $24,656,317. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As seen from this perspective, unassigned fund balance represents 0.16% of total General Fund's expenditures, while total fund balance represents 0.16% of that same amount.

General Fund. In fiscal year 2013, the County's General Fund revenues exceeded expenditures by $5,903,091. A total of $2,408,199 was transferred out to the following funds: Capital Projects $339,161, Nonmajor Governmental Funds $1,069,038, and Internal Service Funds $1,000,000. A total of $182,469 of capital lease proceeds were received from new capital leases in the current year. This increase to fund balance, offset by a prior period adjustment of $(473,336), left a residual General Fund balance of $24,656,317.

Total expenditures decreased in the General Fund by $7,928,315 ($152,181,579 vs. $144,253,264 in 2012). The following factors contributed to the decrease in operating expenditures:

- General government expenditures from the General Fund increased $470,849 due to a general increase in departmental expenditures.

- Public Safety expenditures from the General Fund increased only slightly in fiscal year 2013 to $47,937,603 from $45,280,787 in fiscal year 2012. The expenditures increased in part due to Public Safety Realignment at the State level.

- Public Assistance expenditures from the General Fund increased by $4,449,072. The increase was primarily due to an increase in Foster Care with expenditures of $6,528,833 in 2012 and $7,972,455 in 2013.

Debt Service Fund. The County Debt Service Fund has a total fund balance of $1,626,376 that is comparable to the prior fiscal year, all of which is reserved for the payment of debt service. The County issued lease revenue bonds for the main jail facility construction project with revenues derived from the Criminal Justice Facilities Fund, which represent a portion of the penalty assessments by the Judicial Courts, that have been pledged to pay the debt service.

Capital Projects Fund. The County Capital Projects Fund balance decreased $4,077,603 due to the difference between actual capital outlay revenues and expenditures. Impact fees have been transferred to the Capital Projects Fund due to construction of the Jail expansion project. Major capital outlays included $1.6 million for completion of the Solar Project, $25 thousand for completion of the Gateway Park improvements, and over $1.9 million toward morgue and jail improvements.

Road Fund. The County Road Fund has a total fund balance of $9,758,355 as of June 30, 2013. This fund holds assets of $9,758,355, of which $7,877,735 are invested in the County's portfolio. This fund has no liabilities.

Nonmajor funds. These funds represent special revenue funds that account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The nonmajor fund balance minimally decreased by $584,021.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the internal service funds at the end of the fiscal year 2013 amounted to $8,940,539. Net position from operations increased $4,263,032 mainly due to: 1) An increase to charges for services of $1.1 million in the Information Services Fund. 2) Decrease to salaries and employee benefits of $1.7 million in the Health Self-Insurance Fund. 3) An increase to charges for services of $2.7 million in the Public Works Fund.

General Fund Budgetary Highlights

The County's final budget of the General Fund differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year. Differences between the original budget and the final amended budget of $(2,303,268) net decrease in appropriations are briefly summarized as follows:

- General Government increased appropriations $271,910.
- Public Safety increased appropriations $1,049,526.
- Health and Sanitation increased appropriations $119,647.
- Public Assistance decreased appropriations $1,710,548.
- Capital Outlay increased appropriations $2,564,910.

Overall, the County's actual General Fund revenues were less than budgeted during fiscal year 2013 by $3,058,362 or 0.02%. Revenues that had significant variances include the following:

- Actual comparison of property tax revenues including Triple Flip and VLF Swap revenue which is included in Property Tax Revenue for budget purposes is $34,611,000 (Budget) vs. $17,171,755 (Actual not including $18,614,711 of Triple Flip and VLF Swap stated as intergovernmental revenue for GAAP purposes) noting actual receipts less than budgeted by $17,439,245 or 51.3%. Actual comparison of intergovernmental revenue is $107,316,764 (Budget) vs. $120,651,093 (Actual) showing more program revenues than budgeted of $13,334,329 or 4.5%.
- Franchise tax revenues in the General Fund of $1,095,758 were slightly short of the $1,200,000 budgeted. Sales and use taxes were less than budgeted by 200,994 or 10%. Licenses and permits were more than budget by $44,746 or 14%.
- General Fund charges for services were less than budgeted by $479,139 or 5%.
- Investment earnings in the General Fund were less than budgeted by $530,429 or 101%.
- Miscellaneous revenues were more than budgeted by $1,791,422 or 39%. Actual expenditures in the General Fund were less than the final budget by $11,489,691 or 7%. This is in part due to the County using a non-GAAP budget method. Contingencies are budgeted as Expenditures.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of June 30, 2013, amounts to $113,819,090 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, roads, bridges, and water and sewer systems. The total increase in the County's investment in capital assets for the current fiscal year was 2% for governmental activities.

Major capital asset events during the current fiscal year included the following:

- Construction in progress was completed on the Solar Project. Accordingly, construction expenditures were capitalized as part of structure and improvements.
- Construction in progress was completed on the Gateway (La Casa) Park Improvements has been transferred to the City of Hanford.

County of Kings
Capital Assets
(Net of Depreciation)

	2013	2012
Land	$ 7,420,105	$ 7,420,105
Structures and improvements	79,253,380	77,741,517
Equipment	11,843,268	9,361,565
Construction in progress	2,286,322	3,267,094
Infrastructure	13,016,015	14,153,248
Total	$ 113,819,090	$ 111,943,529

Additional information on the County's capital assets can be found in Note 1.A. (page 32), and Note 4 (page 37) of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of $16,995,037. From this amount, $8,480,037 (Pension Obligation) comprises debt backed by the full faith and credit of the County and the remaining amount of $8,515,000 (Lease Revenue) represents bonds secured by specified revenue sources that are collateralized by certain buildings of the County. In addition, the County has total capital leases outstanding of $14,068,079.

County of Kings
Outstanding Debt
Pension Obligations, Lease Revenue
Bonds, and Capital Leases

	2013	2012
Pension Obligation Bonds	$ 8,480,037	$ 9,198,521
Lease Revenue Bonds	8,515,000	8,925,000
Capital Leases	14,068,079	14,892,595
Total	$ 31,063,116	$ 33,016,116

The County bonded debt decreased by $1,128,484 (7%) and capital lease obligations outstanding decreased by $824,516 (6%) during the current fiscal year representing principal reductions from bond and significant increases in lease payments.

The Lease Revenue Bonds issued by the Kings County Financing Authority in 2005, are, as of May 2009, rated A- by Standard & Poor's. Due to the eroding financial condition of the insuring company, AMBAC, the bonds' prior rating of AAA was rendered irrelevant and the bonds are no longer rated by Moody's Investors Service. The bonds continue to be repaid as agreed and maintain a reserve fund equal to one year of principal and interest payments.

State statutes limit the amount of debt a County may issue to 5% of its total assessed valuation. The current debt limitation for the County is $440,753,149, which is significantly in excess of the County's outstanding bonded debt.

Additional information on the County's long-term debt can be found in Note 1 (page 33) and Notes 7 and 8 (pages 39-43) of this report.

Budget and Economic Factors

- The unemployment rate for the County is currently 11.9%, which is a decrease from a rate of 14.4% during fiscal year 2012. The unemployment rate for the State has been reported to be 8.3% and remains steady. The State unemployment rate was approximately 9.7% a year ago.

- The County's Realignment 2011 shifts responsibilities for costs and functions previously handled by the State to counties. The County should receive $6 million in 2013-14 to handle this increase in responsibility.

- As of February 1, 2012, redevelopment agencies in the State of California ceased to exist. The net effect of this dissolution is an increase in Property Tax revenue to the County of approximately $1.5 million annually.

- The 2013-14 County's Final Budget included an overall budget of $282.70 million, which is about $15.31 million or 6% more than the fiscal year 2013 final budget. No actual workforce reduction is proposed for this budget year while the General Fund budget is looking at a $27 million increase in expenditures.

- Total allocated positions are 1,365.38 full-time equivalents (FTEs), which is 82.35 FTEs more than adopted in the 2012-13 budget.

Requests for Information

This financial report is designed to provide a general overview of the County of Kings' finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Kings, Department of Finance, 1400 W. Lacey Blvd., Hanford, CA 93230.

COUNTY OF KINGS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	$ 8,041,664
Investments	87,344,825
Receivables	10,718,895
Inventories and prepaids	197,194
Loans receivable	171,700
Restricted assets	881,118
Capital assets	
Land, structures, and improvements	86,673,485
Equipment	11,843,268
Construction in progress	2,286,322
Infrastructure	13,016,015
Total Assets	221,174,486
Liabilities	
Accounts payable and other current liabilities	5,632,585
Accrued interest payable	3,699,448
Advances from grantors and third parties	26,171,634
Noncurrent liabilities	
Due within one year	5,014,842
Due in more than one year	
Claims payable	7,473,057
Capital leases	12,919,241
Pension obligation bonds	7,780,976
Lease revenue bonds	8,090,000
Compensated absences	6,214,664
Net OPEB obligation	3,629,956
Total Liabilities	86,626,403
Net Position	
Net investment in capital assets	80,014,031
Restricted for debt service	881,118
Unrestricted	53,652,934
Total Net Position	$ 134,548,083

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

COUNTY OF KINGS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Function/Program Activities					
Primary Government					
Governmental Activities					
General government	$ 17,302,338	$ 4,710,170	$ 20,478,479	$ 564,161	$ 8,450,472
Public safety	61,559,740	5,501,622	27,107,358		(28,950,760)
Public ways and facilities	123,716	-	-	-	(123,716)
Highways and streets	9,150,427	434,223	-	5,171,958	(3,544,246)
Health and sanitation	28,430,356	953,358	26,202,680	-	(1,274,318)
Public assistance	64,090,422	19,408	59,362,535	-	(4,708,479)
Education	2,168,093	348,200	24,370	-	(1,795,523)
Culture and recreation	1,920,799	77,032	769,779	-	(1,073,988)
Unallocated depreciation	1,136,418	-	-	-	(1,136,418)
Interest on long-term debt	1,342,003	-	-	-	(1,342,003)
Total Primary Government	$ 187,224,312	$ 12,044,013	$ 133,945,201	$ 5,736,119	(35,498,979)
	General Revenues				
	Property taxes				26,506,051
	Sales tax				2,211,245
	Franchise taxes				1,121,948
	Hotel taxes				277,490
	Investment earnings (loss)				(99,607)
	Loss on sale of capital assets				(386,101)
	Miscellaneous				9,382,773
	Total General Revenues				39,013,799
	Change in Net Position				3,514,820
	Net Position, Beginning of Year				136,023,769
	Prior Period Adjustment				(4,990,506)
	Net Position, End of Year				$ 134,548,083

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

COUNTY OF KINGS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total
Assets						
Cash and cash equivalents	$ 3,605,521	$ 66,185	$ 919,848	$ 662,324	$ 742,878	$ 5,996,756
Imprest cash	24,830	-	-	-	754	25,584
Treasurer's investments	42,254,545	780,719	10,865,520	7,877,735	8,830,220	70,608,739
Deposit with others	25,000	-	-	-	60,171	85,171
Investments	576,782	-	-	-	-	576,782
Receivables	7,813,318	1,794	78,369	1,218,296	879,269	9,991,046
Due from other funds	413,668	-	-	-	-	413,668
Due from other governments	40,771	-	45,080	-	-	85,851
Loans receivable	171,700	-	-	-	-	171,700
Deposit with others - restricted	103,440	777,678	-	-	-	881,118
Total Assets	$ 55,029,575	$ 1,626,376	$ 11,908,817	$ 9,758,355	$ 10,513,292	$ 88,836,415
Liabilities						
Accrued expenses payable	$ 2,791,798	$ -	$ 223,071	$ -	$ 953,773	$ 3,968,642
Advances from grantors and third parties	24,525,561	-	1,636,706	-	-	26,162,267
Due to other funds	653,648	-	-	-	543,199	1,196,847
Due to other governments	-	-	-	-	562,957	562,957
Total Liabilities	27,971,007	-	1,859,777	-	2,059,929	31,890,713
Deferred Inflows of Resources						
Deferred inflows from property taxes	1,003,469	-	-	-	453,979	1,457,448
Deferred inflows from grantors	1,398,782	-	-	-	-	1,398,782
Total Deferred Inflows of Resources	2,402,251	-	-	-	453,979	2,856,230
Fund Balances						
Restricted	103,440	1,202,678		9,758,355	8,345,153	19,409,626
Assigned	24,830	423,698	10,049,040	-	754	10,498,322
Unassigned	24,528,047	-	-	-	(346,523)	24,181,524
Total Fund Balances	24,656,317	1,626,376	10,049,040	9,758,355	7,999,384	54,089,472
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 55,029,575	$ 1,626,376	$ 11,908,817	$ 9,758,355	$ 10,513,292	$ 88,836,415

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

COUNTY OF KINGS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances - total governmental funds	$ 54,089,472
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 as assets in governmental funds.	109,177,510
Certain accrued revenues are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. (Property Taxes $1,457,448 and Intergovernmental Revenue $1,398,782)	2,856,230
Accrued interest payable represents interest incurred, but is not yet due, as of the end of the fiscal year. Governmental funds recognize interest payable when due since this requires the use of current financial resources. (Pension Obligation Bonds $3,471,872, Lease Revenue Bonds $88,601, Capital Leases $118,709)	(3,679,182)
Internal service funds are used by management to charge the costs of public works, fleet management, information services, health self-insurance, and workers' compensation self-insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	13,050,587
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. (Pension Obligation Bonds $8,480,037, Lease Revenue Bonds $8,515,000, Capital Leases $13,556,813, Compensated Absences $5,587,728, General Liabilities - Claims Payable $1,177,000, Net OPEB Obligation $3,629,956)	(40,946,534)
Total net position - governmental activities	$ 134,548,083

COUNTY OF KINGS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total
Revenues						
Taxes:						
Property taxes	$ 17,171,755	$ -	$ -	$ -	$ 7,876,848	$ 25,048,603
Sales tax	1,899,006	-	-	312,239	-	2,211,245
Franchise taxes	1,095,758	-	-	-	26,190	1,121,948
Hotel taxes	277,490	-	-	-	-	277,490
Licenses and permits	379,684	-	-	-	-	379,684
Fines and forfeits	714,507	-	-	434,223	925,104	2,073,834
Intergovernmental revenues	120,651,093	-	-	5,171,958	12,016,162	137,839,213
Charges for services	8,754,046	-	-	-	48,965	8,803,011
Rents and concessions	748,940	-	-	-	210	749,150
Investment earnings (loss)	(5,329)	8,362	(21,142)	11,586	(9,107)	(15,630)
Contributions and donations	15,505	-	-	-	22,829	38,334
Miscellaneous revenues	6,382,215	-	81,987	552,498	2,366,073	9,382,773
Total revenues	158,084,670	8,362	60,845	6,482,504	23,273,274	187,909,655
Expenditures						
Current:						
General government	14,838,737	-	-	-	-	14,838,737
Public safety	47,937,603	-	-	-	12,969,689	60,907,292
Public ways and facilities	24,307	2,000	91,895	-	5,514	123,716
Highways and streets	-	-	-	9,150,427	-	9,150,427
Health and sanitation	28,255,188	-	-	-	-	28,255,188
Public assistance	55,772,710	-	-	-	7,747,671	63,520,381
Education	155,067	-	-	-	2,000,589	2,155,656
Culture and recreation	1,920,799	-	-	-	-	1,920,799
Debt service:						
Principal	1,444,186	410,000	-	-	155,145	2,009,331
Interest	793,074	368,775	-	-	51,951	1,213,800
Capital outlay	1,039,908	-	4,385,715	-	734,492	6,160,115
Total expenditures	152,181,579	780,775	4,477,610	9,150,427	23,665,051	190,255,442
Excess (deficiency) of revenues over (under) expenditures	5,903,091	(772,413)	(4,416,765)	(2,667,923)	(391,777)	(2,345,787)
Other financing sources (uses)						
Capital leases - other financing sources	182,469	-	-	-	145,967	328,436
Transfers in	-	867,473	339,161	-	1,069,038	2,275,672
Transfers out	(2,408,199)	-	-	-	(867,473)	(3,275,672)
Total other financing sources (uses)	(2,225,730)	867,473	339,161	-	347,532	(671,564)
Net change in fund balances	3,677,361	95,060	(4,077,604)	(2,667,923)	(44,245)	(3,017,351)
Fund balances - beginning	21,452,292	1,531,316	14,126,644	12,518,892	8,583,405	58,212,549
Prior period adjustment	(473,336)	-	-	(92,614)	(539,776)	(1,105,726)
Fund balances - ending	$ 24,656,317	$ 1,626,376	$ 10,049,040	$ 9,758,355	$ 7,999,384	$ 54,089,472

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

COUNTY OF KINGS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	$ (3,017,351)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($6,160,115) exceeded depreciation ($5,761,760) in the current period.	398,355
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from such sales increase financial resources. The net effect from the sale, trade-in transactions, and transfers involving capital assets is to decrease net position.	(506,164)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. Deferred inflows from property tax receivables $1,457,448 and intergovernmental revenue $1,398,782 are unavailable current year revenues.	2,856,230
The issuance of long-term debt for the bonds and capital leases provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Governmental activities record the principal portion as a reduction to the noncurrent liability outstanding. Capital Leases $934,484, Pension Obligation Bonds $718,484, Lease Revenue Bonds $41,000, offset by the reversal of loan and capital lease proceeds $(328,436).	1,734,532
Certain expenses reported in the statement of activities do not require the use of financial resources and, therefore, are not reported as expenditures in the governmental funds. In the governmental activities, expense and liabilities are reported when amounts are due and payable. General liability - claims payable ($130,000) and accrued interest ($148,877).	(278,877)
Governmental funds expense payments for compensated absences and other postemployment benefits (OPEB) related to the self-funded health care program, however, the statement of activities accounts for expenditures using the accrual basis of accounting. This amount results from the net accrued expenses for the Net OPEB Obligation ($731,045) and Compensated Absences ($21,070).	(752,115)
Internal service funds are used by management to charge the costs of public works, fleet management, information services, health self-insurance, and workers' compensation self-insurance to individual funds. The net (expense) of activities from internal service funds is reported within governmental activities.	3,080,210
Change in net position of governmental activities	$ 3,514,820

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

COUNTY OF KINGS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Internal Service Funds
Assets	
Current assets	
Cash and cash equivalents	$ 1,389,179
Imprest cash	330
Treasurer's investments	16,159,304
Deposit with others	544,644
Receivables	618,297
Due from other funds	873,329
Due from other governments	23,701
Inventories and prepaids	197,194
Total current assets	19,805,978
Noncurrent assets	
Capital assets:	
Structures and improvements	12,104
Equipment	15,001,207
Less: accumulated depreciation	(10,371,731)
Total noncurrent assets	4,641,580
Total Assets	24,447,558
Liabilities	
Current liabilities	
Accrued expenses payable	1,100,986
Due to other funds	90,150
Advances from grantors and third parties	9,367
Interest payable	20,266
Capital leases payable	199,105
Claims payable	2,301,339
Total current liabilities	3,721,213
Noncurrent liabilities	
Leases payable	312,161
Claims payable	6,736,661
Compensated absences payable	626,936
Total noncurrent liabilities	7,675,758
Total Liabilities	11,396,971
Net Position	
Net investment in capital assets	4,110,048
Unrestricted	8,940,539
Total Net Position	$ 13,050,587

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

COUNTY OF KINGS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Internal Service Funds
Operating revenues	
Charges for services	$ 22,764,406
Miscellaneous revenues	12,359,048
Total operating revenues	35,123,454
Operating expenses	
Salaries and employee benefits	16,686,725
Services and supplies	14,520,769
Administration	1,145,780
Depreciation	1,136,418
Total operating expenses	33,489,692
Operating income	1,633,762
Nonoperating revenues (expenses)	
Intergovernmental revenues	443,325
Investment earnings (loss)	(83,977)
Interest expense	(32,963)
Net gain on sale of assets	120,063
Total nonoperating revenues (expenses)	446,448
Income before operating transfers	2,080,210
Transfers in	1,000,000
Change in net position	3,080,210
Net position, beginning of year	9,970,377
Net position, end of year	$ 13,050,587

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

COUNTY OF KINGS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Internal Service Funds
Cash Flows from Operating Activities	
Receipts from interfund services provided	$ 34,790,108
Payments to suppliers	(15,464,945)
Payments to and on behalf of employees	(16,347,147)
Payments for interfund services used	(387,045)
Net Cash Provided by Operating Activities	2,590,971
Cash Flows from Non-Capital Financing Activities	
Transfers in	1,000,000
Intergovernmental revenues	443,325
Net Cash Provided by Non-Capital Financing Activities	1,443,325
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	-
Interest expense	(44,989)
Net Cash Used by Capital and Related Financing Activities	(44,989)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	16,624,197
Purchase of investments	(19,265,477)
Investment earnings	(83,977)
Net Cash Used by Investing Activities	(2,725,257)
Net Increase in Cash and Cash Equivalents	1,264,050
Cash and Cash Equivalents, Beginning of Year	125,459
Cash and Cash Equivalents, End of Year	$ 1,389,509

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

COUNTY OF KINGS
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 1,633,762
Adjustment to Reconcile Operating Income	
Depreciation expense	1,136,418
Net gain on sale of assets	120,063
(Increase) Decrease in receivables	(436,425)
Increase (Decrease) in deposits with others	(205,356)
(Increase) Decrease in due from other funds	(17,206)
(Increase) Decrease in due from other governments	700
(Increase) Decrease in inventories and prepaids	10,939
Increase (Decrease) in deferred revenue	(478)
Increase (Decrease) in accrued expenses payable	32,112
Increase (Decrease) in due to other funds	(516)
Increase (Decrease) in capital leases payable	(218,467)
Increase (Decrease) in compensated absences payable	(3,925)
Increase (Decrease) in accrued interest payable	(7,650)
Increase (Decrease) in claims payable	547,000
Total Adjustments	957,209
Net Cash Provided By Operating Activities	$ 2,590,971

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

COUNTY OF KINGS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Retiree Health Trust	Private-Purpose Trust	Agency Funds
Assets			
Cash and cash equivalents	$ 31,527	$ 7,043	$ 13,809,655
Treasurer's investments	372,248	134,300	159,086,226
Deposit with others	-	-	2,810,790
Receivables	-	181	11,214,931
Prepaid expenses	-	-	130,181
Total assets	403,775	141,524	187,051,783
Liabilities			
Due to other agencies	-	141,524	187,051,783
Total liabilities	-	141,524	187,051,783
Net Position			
Net position held in trust	$ 403,775	$ -	$ -

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

COUNTY OF KINGS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Retiree Health Trust	Private-Purpose Trust
Additions		
Contributions		
Employer contributions	$ 51,463	$ -
Plan members contributions	46,447	-
Redevelopment Agency administration contribution	-	122,475
Total contributions	97,910	122,475
Interest and investment revenue		
Investment earnings	150	12,754
Total additions	98,060	135,229
Deductions		
Health insurance premiums	146,692	-
Professional and special services	-	39,238
Administrative allocation	-	120,626
Total deductions	146,692	159,864
Change in net position	(48,632)	(24,635)
Net position, beginning of year	452,407	24,635
Net position, end of year	$ 403,775	$ -

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Kings (County) was incorporated in 1893 under laws of the State of California and currently consists of approximately 1,391 square miles with four incorporated cities within the County: Hanford, Lemoore, Corcoran, and Avenal. The County is bordered by Fresno County to the north, Kern and San Luis Obispo Counties to the south, Monterey County to the west, and Tulare County to the east. The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors (Board) that is elected by district. Members serve staggered four-year terms and the Chair is elected by the Board members. The County Administrative Officer is appointed by the Board. County administration consists of appointed and elected officials, boards, commissions, and committees that assist the Board, including the Director of Finance, County Counsel, the Assessor/Clerk-Recorder, the District Attorney, and the Sheriff/Coroner/Public Administrator.

Many of the County's functions are required under County ordinances, or by State and Federal mandate. State and federally mandated programs, primarily in the social and health care service areas, are required to be maintained at certain minimum levels, which limits the County's control.

The County provides a wide range of services to its residents including: health and welfare, sheriff, jails, probation, medical examiner, fire fighting and prevention force, elections, planning, a park and recreation system, libraries, road maintenance, and the necessary support for these service providers. All are responsible to the Citizens of the County, and are therefore included within the reporting entity.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance a part of the County operations. There are no discretely presented component units included in these financial statements.

Blended Component Units. The operations of some component units are so intertwined with those of the County Government that they function, for all practical purposes, as an integral part of the County despite their separate legal status. GAAP prescribes that the data from such integral component units be blended with the County financial statement reports. Criteria used for determination of blended component units include a shared governing body, exclusive or almost exclusive benefit to the County Government, and that the County is financially responsible. Blended component units of the County include Kings County Public Financing Authority for jail facility construction; Children and Families First Commission for early childhood development services; and In-Home Supportive Services (I.H.S.S.) Public Authority for providing an alternative to out of home care for the elderly, disabled, and/or blind. The Kings County Public Financing Authority is reported in the Capital Projects and Debt Service Funds to account for the bond proceeds used for jail construction. The Children and Families First Commission and I.H.S.S. Public Authority are reported in separate Special Revenue Funds to account for revenues received that are legally restricted to expenditures for those specific purposes. Completed financial statements for each of the individual blended component units may be obtained by contacting the County of Kings, Finance Department, 1400 W. Lacey Blvd., Hanford, CA 93230, Attn: Rebecca Carr, CPA, CGMA – Director of Finance – Accounting, telephone number 559-852-2460.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Reporting Entity (Continued)

Related Organizations. A government may appoint the voting majority of board members for another entity without establishing a bond of financial accountability with that entity that would justify its inclusion as a component unit. GAAP refers to entities that meet this description as related organizations. The County Board has authority to appoint the majority of members for the Law Library Board, Corcoran Cemetery District, Hanford Cemetery District, Lemoore Cemetery District, Cross Creek Flood Control District, Excelsior-Kings River Resource Conservation District, and Mosquito Abatement District. The Law Library Board operates and maintains the County's Law Library. The Cemetery Districts maintain, operate, and establish rules and regulations for the management of cemeteries under their control within the County. The Flood Control District appointees are from landowners residing in the district in order to manage the district's affairs and act as a governing board. The Conservation District was formed to control water runoff, the prevention and control of soil erosion, development and distribution of water, and the improvement of land capabilities. The Mosquito Abatement District defines the policies for operations and employs the necessary staff with resources necessary to control mosquitoes.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County.

The statement of activities demonstrates which direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) fees, fines, and charges paid by the recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. If revenues are considered unavailable, then they are recorded as deferred revenue on the balance sheet, such as property taxes levied but unavailable for expenditures during the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days at the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The financial statements include the activities of various funds and account groups, for which the County has oversight responsibility. The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Account groups are no longer presented as such in the financial statements, but the information is incorporated in the governmental activities column of the government-wide statement of net position. 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. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The County groups and reports the various funds in the financial statements as follows:

Governmental Funds:

General Fund – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. **(Major Fund)**

Special Revenue Funds – Account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Reported in the **Nonmajor Fund** column, except for the **Road Fund which is considered a major fund** for financial reporting purposes.

Debt Service Fund – Accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds. **(Major Fund)**

Capital Projects Fund – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds. **(Major Fund)**

Proprietary Funds:

Workers' Compensation Self-Insurance – Internal Service Fund: Accounts for the County's Workers' Compensation Self-Insurance program. This program provides workers' compensation insurance coverage for the County's employees.

Fleet Management – Internal Service Fund: Accounts for program costs relating to motor pool and equipment maintenance for other County departments and agencies on a cost reimbursement basis.

Information Services – Internal Service Fund: Accounts for costs relating to operations of the County's Data Processing department. Costs (including depreciation) of providing services to County departments and outside agencies are to be recovered primarily through user charges.

Health Self-Insurance Fund – Internal Service Fund: Accounts for the County's health self-insurance program. The program offers optional health insurance coverage to County employees.

Public Works – Internal Service Fund: Accounts for program costs relating to roads, building and maintenance projects, surveyor, and other reimbursable projects for other County departments and agencies on a cost-reimbursement basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fiduciary Funds:

Trust and Agency Funds – Account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's own programs. The County has a Retiree Health Trust Fund used to account for sick leave accumulated by County employees who subsequently retire and have the option to contribute a portion of their sick leave to this fund, with County matching, in order to assist with their health insurance premiums during retirement. The Redevelopment Successor Agency Trust Fund (Private-Purpose Trust) accumulates and distributes the proceeds that remained within the Kings County Redevelopment Agency upon the dissolution of California redevelopment agencies, as set forth by State Assembly Bill X1 26. The remainder of the Fiduciary Funds of the County are Agency Funds in which the County's role is purely custodial such as the receipt of monies, temporary investment, and remittance to other parties outside of the County. Includes special districts, school districts, colleges, and hospitals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements for the primary government including interfund receivables, payables, and transfers between the governmental funds. Also eliminated are indirect expenses for administration that are charged to certain departments. Only direct expenditures incurred are allowed to be charged to each functional category for government-wide financial reporting purposes. Exceptions to this rule are for goods and services provided by internal services funds to other governmental funds. Internal activity consists of Fleet Management, Information Technology, and Public Works Departments that record program revenues representing charges for services to various other functions of County departments who in-turn record expenditures for these charges. Also, the Health Self-Insurance Fund records miscellaneous revenue for charges and these expenditures are not eliminated as well from the various functional categories. Elimination of all these interfund charges would distort the direct costs and program revenues reported for the various functions concerned. However, any net profit or loss resulting from these internal service fund activities is eliminated.

Amounts reported as *program revenues* include 1) charges to recipients for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (if applicable). Internally dedicated resources are reported as *general revenues* (*discretionary revenues*) rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges for services provided to County departments and other agencies on a cost-reimbursement basis. Operating expenses for internal service funds include cost of services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

The County maintains an Investment Pool managed by the Treasurer, which acts as a depository for over 42 units of local government including funds of the County, school districts, and special districts.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Note that the Money Market Funds are reported within the Treasurer Investments.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

A. <u>Assets, Liabilities, and Net Position or Equity</u> (Continued)

Deposits and Investments (Continued)

State statutes authorize the County to invest in obligations of the U.S. Treasury and agencies of the Federal, State, and Local Governments; bankers' acceptances; commercial paper; negotiable certificates of deposit; collateralized certificates of deposit; repurchase agreements or reverse repurchase agreements or securities lending agreements; medium-term corporate notes and bonds; asset-backed securities; money market mutual funds; and the State Treasurer's Investment Pool. In general, the statutes allow no maturities of investments to be in excess of five years.

The Treasurer is authorized by the County Board to invest within the parameters of the California State statutes except that the County does not invest in asset-backed securities. The Treasury Oversight Committee is a seven member committee composed of County officials, a member of the public, and representatives of the school districts and special districts who meet semiannually with the County Board to review the adoption of investment policies to ensure compliance.

In general, GASB Statement No. 31 accounting pronouncement requires governmental entities to report the fair market value changes for these investments at year-end and, if significant, report these gains or losses on their income statements. Accordingly, the carrying value of County investments at fair market value were greater than their historical cost as of June 30, 2013. As a result, the County increased treasurer investments and investment earnings in Governmental Funds by $461,604, Proprietary Funds by $105,641, and Fiduciary Funds by $1,043,336.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are not shown as net of an allowance for uncollectibles. The County has evaluated the collectability of receivables as adequate to report them as gross receivables without a deduction for discounts and allowances.

Property taxes are levied as of October 6th on property values assessed as of the preceding January 1st and are payable in equal installments November 1 and February 1 and are receivable when levied. For assessment and collection purposes, property is classified either as 'secured' or 'unsecured' and is listed accordingly on separate parts of the assessment role. The secured roll is that part of the assessment roll containing State assessed property and real property which can be secured by liens. Other property is assessed on the 'unsecured roll' representing taxes paid on property that is not owned by the property tax payer; this property is not secured if unpaid by the tax payer (i.e., business leases a building). The County has not adopted the method of secured property tax apportionment known as the Teeter Plan.

The County levies a one percent property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation on the basis of 'situs' growth in assessed value (new construction, change of ownership, and inflation) among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

Receivables and Payables (Continued)

Property taxes on the secured roll are due in two installments during the fiscal year and become delinquent on December 10th and April 10th, respectively. A ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30th of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Tax Collector's power of sale and may be subsequently sold within two years by the County Tax Collector.

Legislation established the 'supplemental roll' in 1984 which directs the Assessor to reassess real property, at market value, on the date the property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property of the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: 1) by filing a civil action against the taxpayer, 2) by filing a certificate in the office of the County Clerk by specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, 3) by filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer, and 4) by seizure and sale of personal property, improvements, or possessory interest belonging to the tax payer.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and GASB Statement No. 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.

Inventories and Prepaid Items

Inventories of materials and supplies are for the Information Services and Fleet Management internal service funds. Cost is determined by the average cost method not to be in excess of fair value. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

Restricted Assets

Certain proceeds of the Kings County Public Finance Authority's lease revenue bonds are recorded in the Debt Service Fund, as well as certain resources set aside for their repayment are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Debt Service Fund is used to account for resources accumulated from the Courts to pay the bond debt service. A 'reserve account' at the bank is used to maintain and report the portion of bond proceeds set aside in order to make up for potential future deficiencies in the debt service fund amounting to $777,678. In addition, the pension obligation bonds (Series B) require an additional 2% of the estimated debt service amount in the event LIBOR interest rates paid exceed projections. This restricted deposit amounts to $103,440 for the current fiscal year.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water/sewer systems, and similar items), are reported in the government-wide financial statements. The proprietary fund financial statements include capital assets which are also reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets, other than infrastructure assets, are defined by the County as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year.

The County reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. In the case of the initial capitalization of infrastructure assets, the County chose to include all such items purchased and constructed after June 30, 1980, as required by GASB. The reported cost of capital assets exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the County values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Useful Lives
Buildings	50
Building Improvements	10-25
Infrastructure	10-50
Vehicles	3-15
Machinery and Equipment	5-20
Office Equipment	5-20
Computer Equipment	5-10

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. County employees are generally vested to twenty-five percent of their sick leave balance after five years of service for accrual purposes. There is a cap on the maximum amount of vacation hours an employee can accrue ranging from 160 to 320 hours based on years of service. Once the maximum accrual for vacation has been reached, employees stop earning additional vacation hours until the accumulation level drops below the established limits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements that become due and payable in the current fiscal year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources revenue while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are:

Nonspendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County through formal action (Resolution) of the highest level of decision making authority (Board of Supervisors) and do not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management decision. The assigned balances in this report represent budgeted amounts set by the Board's approval of the subsequent year budget.

Unassigned – Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

Fund Equity (Continued)

As of June 30, 2013, the fund balance details by classification are listed below:

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total
Restricted for:						
Library	$ -	$ -	$ -	$ -	$ 3,158,322	$ 3,158,322
Road	-	-	-	9,758,355	-	9,758,355
Fire	-	-	-	-	1,537,512	1,537,512
County Fish and Game	-	-	-	-	16,971	16,971
Child Support Services	-	-	-	-	44,709	44,709
Off-Highway Motor Vehicle	-	-	-	-	96,451	96,451
Community Development Block Grants	-	-	-	-	976,190	976,190
Criminal Justice Facility	-	-	-	-	66,193	66,193
In-Home Supportive Services	-	-	-	-	(66,459)	(66,459)
Children and Families First Commission	-	-	-	-	2,515,264	2,515,264
Debt Service Reserve Funds	103,440	777,678	-	-	-	881,118
Debt Service	-	425,000	-	-	-	425,000
Total Restricted Fund Balance	103,440	1,202,678	-	9,758,355	8,345,153	19,409,626
Assigned:						
Debt Service	-	423,698	-	-	-	423,698
Imprest Cash	24,830	-	-	-	754	25,584
Capital Projects	-	-	10,049,040	-	-	10,049,040
Total Assigned Fund Balance	24,830	423,698	10,049,040	-	754	10,498,322
Unassigned:						
General	24,528,047	-	-	-	-	24,528,047
Job Training Office	-	-	-	-	(346,523)	(346,523)
Total Unassigned Fund Balance	24,528,047	-	-	-	(346,523)	24,181,524
Total Fund Balances	$ 24,656,317	$ 1,626,376	$ 10,049,040	$ 9,758,355	$ 7,999,384	$ 54,089,472

Deficit Fund Equity/Net Position

The following special revenue fund, included in the column for nonmajor governmental funds, had a deficit unassigned fund balance as follows: Job Training Office for $346,523 as of June 30, 2013. The Job Training Office operates on a cost reimbursement basis; expenditures causing the fund deficits have been claimed for reimbursement, but have not yet been received from the State. If the State were not to approve the costs, the County would transfer funds from the General Fund to cover the expenditures. In addition, included in the internal service funds, the Workers' Compensation Self-Insurance Fund had a deficit net position balance of $1,269,975 as of June 30, 2013.

Allocation of Investment Income Among Funds

It is presumed under GAAP that investment income is reported in the same fund that reports the underlying investment. However, it is common for income on investments to legally accrue to the benefit of some other fund. GAAP requires that a government disclose whenever the income from investments in one fund is assigned directly to the benefit of another fund. See additional detail in Note 16.

Accounting Standards Update

During the fiscal year ending June 30, 2013, the County implemented the following GASB standards:

GASB Statement No. 60 – A*ccounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. Upon implementation, there was no effect on the County's accounting or financial reporting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

Accounting Standards Update (Continued)

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. Upon implementation, there was no effect on the County's accounting or financial reporting.

GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. Upon implementation, there was no effect on the County's accounting or financial reporting.

GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* modifies financial reporting of those elements. The largest change was the replacement of the Statement of Net (Plan, if retirement entity) Assets with a Statement of Net (Plan) Position and a Statement of Changes in Net (Plan) Position instead of the Statement of Changes in Net (Plan) Assets upon implementation for periods beginning after December 15, 2011. The County has implemented this change for the fiscal year ended June 30, 2013.

GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. Upon implementation, there was no effect on the County's accounting or financial reporting.

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* reclassifies certain items previously recorded items as assets and liabilities to deferred outflows and inflows of resources. In addition, this statement clarifies what should be reported as current inflows and outflows of resources. The provisions of GASB Statement No. 65 are effective for financial statements beginning after December 15, 2012. The County has early implemented this statement for the fiscal year ending June 30, 2013.

Recently released standards by GASB affecting future fiscal years are as follows:

GASB Statement No. 66 – *Items Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. As of the date of the basic financial statements, the County has not made an assessment of any changes that will occur upon this statement's implementation.

GASB Statement No. 67 – *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. The County has not fully judged the effect of the implementation of GASB Statement No. 67 as of the date of the basic financial statements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The County has not fully judged the effect of the implementation of GASB Statement No. 68 as of the date of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

Accounting Standards Update (Continued)

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. The County has not fully judged the effect of the implementation of GASB Statement No. 69 as of the date of the basic financial statements

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The provisions of GASB Statement No. 70 are effective for financial statements beginning after June 15, 2013. The County has not fully judged the effect of the implementation of GASB Statement No. 70 as of the date of the basic financial statements

NOTE 2 – DEPOSITS AND INVESTMENTS

As of June 30, 2013, the County had the following investments and maturities:

		Investment Maturities				
Investment Type	Total	Less than 1 Year	1 Year	2 Years	3 Years	4 Years
Money Market Mutual Funds	$ 105,834,793	$ 4,306,557	$ 77,075	$ 38,711,426	$ 5,068,292	$ 57,671,443
Federal Agencies	50,956,152	50,956,152	-	-	-	-
Local Agency Investment Fund	7,039,743	7,039,743	-	-	-	-
Medium-Term Corporate Notes	79,326,307	12,925,126	28,095,168	16,617,745	16,834,218	4,854,050
Commercial Paper	35,508	35,508	-	-	-	-
Collateralized Time Deposits	5,069,050	5,069,050	-	-	-	-
Negotiable Certificates of Deposit	3,064,374	77,874	2,986,500	-	-	-
Cash in Banks	21,193,469	21,193,469	-	-	-	-
Total	$ 272,519,396	$ 101,603,479	$ 31,158,743	$ 55,329,171	$ 21,902,510	$ 62,525,493

Note: Federal Agency callable bonds are shown at maturity rather than call date. All bonds are callable within the next year; however, the County invests with the assumption that the callable investments will be held to maturity.

Interest rate risk. In accordance with its investment policy, the County manages its exposure to declines in fair value by investing operating funds primarily in shorter-term securities. The maximum maturity for investments is five years or less including federal agencies and medium-term corporate notes. commercial paper is limited to 270 days maximum maturity.

Credit risk. State law limits investment purchases in commercial paper to the highest rating and medium-term corporate notes to the upper investment grade rating and higher (A to AAA for S&P, A2 to Aaa for Moody's) issued by nationally recognized statistical rating organizations (NRSROs). Prior to 2009, it was the County's policy to limit its investments in these investment types to the same ratings as required by the State. The County changed its policy to increase minimum credit quality ratings (from A to AA- for S&P, A2 to Aa3 for Moody's). As of June 30, 2013, the County's investments in medium-term notes were rated A to AA+ by Standard & Poor's (S&P) and A1 to Aa2 by Moody's Investors Service (Moody's). The federal agencies, money market mutual funds, and collateralized time deposits are rated AA to AA+ by S&P and Aa2 to AAA by Moody's.

Concentration of credit risk. The County's investment policy does not allow for an investment in any one corporate issuer that is in excess of 10% of the County's total investments. Investments in the following corporate issuers exceeded 5%: Bank of New York (7.88%), Toyota Motor Credit Corporation (7.71%), Rabobank (7.62%), General Electric Capital Corporation (6.63%), and Berkshire Hathaway (6.12%).

In April of 1988, the Board authorized the purchase of Farmers' Home Administration bonds outstanding on local sewer and water assessment bonds in the amount of $2,335,000. The investment is amortized over 35 years and returns are all being transferred to the General Fund. At June 30, 2013, the County's remaining unamortized balance is $576,782.

NOTE 3 – RECEIVABLES

Receivables as of year-end for the County's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, are as follows:

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
Receivables									
Accounts	$ -	$ -	$ -	$ -	$ 1,108	$ 1,108	$ 117,827	$ 57,554	$ 176,489
Intergovernmental	6,695,986	-	42,290	1,191,439	397,152	8,326,867	475,139	10,040,844	18,842,850
Taxes	945,912	-	-	-	453,979	1,399,891	-	1,399,891	2,799,782
Interest	171,420	1,794	36,079	26,857	27,030	263,180	25,331	(283,177)	5,334
Total Receivables	$ 7,813,318	$ 1,794	$ 78,369	$ 1,218,296	$ 879,269	$ 9,991,046	$ 618,297	$ 11,215,112	$ 21,824,455

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 7,420,105	$ -	$ -	$ -	$ 7,420,105
Construction in progress	3,267,094	4,506,638	(5,535,314)	47,904	2,286,322
Total capital assets, not being depreciated	10,687,199	4,506,638	(5,535,314)	47,904	9,706,427
Capital assets, being depreciated:					
Structures and improvements	117,627,463	5,571,819	(519,216)	(215,792)	122,464,274
Equipment	28,975,105	2,909,883	(687,195)	2,076,363	33,274,156
Infrastructure	42,525,803	-	-	-	42,525,803
Total capital assets, being depreciated	189,128,371	8,481,702	(1,206,411)	1,860,571	198,264,233
Less accumulated depreciation					
Structures and improvements	(39,885,946)	(2,903,353)	-	(421,595)	(43,210,894)
Equipment	(19,613,540)	(2,857,592)	686,260	353,984	(21,430,888)
Infrastructure	(28,372,555)	(1,137,233)	-	-	(29,509,788)
Total accumulated depreciation	(87,872,041)	(6,898,178)	686,260	(67,611)	(94,151,570)
Total capital assets being depreciated, net	101,256,330	1,583,524	(520,151)	1,792,960	104,112,663
Governmental activities capital assets, net	$ 111,943,529	$ 6,090,162	$ (6,055,465)	$ 1,840,864	$ 113,819,090

Depreciation expense was charged to functions/programs for governmental activities as follows:

Governmental Activities	
General Government	$ 5,488,084
Public Safety	652,448
Health and Sanitation	175,168
Public Assistance	570,041
Education	12,437
Grand Total	$ 6,898,178

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 413,668
Health Self-Insurance Fund (1)	General Fund	653,648
	Nonmajor Governmental Funds	129,531
	Internal Service Funds	90,150
	Total	$ 1,286,997

(1) Internal Service Fund

Short-term working capital loans payable to the General Fund represent $413,668 of the total interfund balance amount of $1,286,997 as noted above. The remaining $873,329 reflects a timing difference between the current year insurance contributions withheld from payroll using a clearing account verses the allocation of these contributions to the Health Self-Insurance Fund subsequent to year-end.

Interfund transfers:

	Transfers In:				
	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Transfers Out:					
General Fund	$ -	$ 339,161	$ 1,069,038	$ 1,000,000	$ 2,408,199
Nonmajor Governmental Funds	867,473	-	-	-	867,473
Total	$ 867,473	$ 339,161	$ 1,069,038	$ 1,000,000	$ 3,275,672

The $867,473 above represents transfers from the Criminal Justice Facility Fund to the Debt Service Fund for lease revenue bond payments that are due annually for the new Jail Facility. The $339,161 and $225,000 of the $1,069,038 above represents funds received from the new Williamson Act contract and transferred to the Capital Projects Fund for general projects. The General Fund transferred $700,000 contributions for supporting the Fire Department received from Tribal Mitigation Fees, $144,038 to the I.H.S.S. Department and $1,000,000 to the Workers' Compensation Fund.

NOTE 6 – ADVANCES FROM GRANTORS AND THIRD PARTIES

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide Statement of Net Position as well as governmental and internal service funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

At June 30, 2013, the various components of advances from grantors and third parties reported as follows:

	Advances
General Fund:	
Solar project application	$ 7,663
Grant drawdowns and fees collected	24,517,898
	24,525,561
Capital Projects Fund:	
Impact Fees collected on new developments	1,636,706
Internal Service Fund:	
Environmental impact studies	9,367
Total advances from grantors and third parties	$ 26,171,634

NOTE 7 – LEASES

Operating Leases

The County leases buildings and office facilities, vehicles, and office equipment under noncancelable operation leases. Total estimated costs for such leases were $938,594 for the year ended June 30, 2013. The future minimum lease payments for the leases are estimated as follows:

Year Ending June 30	Amount
2014	$ 667,339
2015	514,946
2016	420,449
2017	298,827
2018	285,905
2019 - 2022	1,219,190
Total	$ 3,406,656

NOTE 7 – <u>LEASES</u> (Continued)

Capital Leases

The County has entered into the following lease agreements as lessee for the following purposes: 1) Energy Conservation Equipment (February 2003) in the amount of $1,332,318 to finance the acquisition, installation, and retrofitting of buildings that includes lighting, air conditioning, heating, and roofing. This same lease agreement financed Fire Trucks amounting to $430,306. 2) Cogeneration Plant (July 2004) for construction costs of $3,005,000 partially financed with a $2,460,358 lease agreement. Construction also included new roofs for certain County buildings. 3) Energy Conservation Project (September 2008) representing a major upgrade costing $8,372,764 for the construction and installation of a central heating, cooling, and storage plant including a new energy management system. 4) Dell Financial Services (February 2011) SAN system replacement computers in the amount of $524,252 to finance the acquisition. 5) A Fire Truck engine (June 2011) in the amount of $949,705 to finance the acquisition. 6) Dell Financial Services (February 2012) replacement computers in the amount of $478,784 to finance the acquisition. 7) Equipment Lease for the Solar Project in the amount of $4,146,889 to finance the acquisition and installation of solar panels at the Kings County Government Center and Hanford Library. 8) Several copiers in the amount of $523,939 to finance the acquisition. 9) A truck for the Fire Department in the amount of $39,389. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Structures and Improvements	$ 16,856,971
Equipment	2,946,374
Total	19,803,345
Less: Accumulated Depreciation	(9,066,215)
Total	$ 10,737,130

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30	Governmental Activities
2014	$ 1,740,181
2015	1,579,857
2016	1,464,550
2017	1,363,832
2018	1,273,506
2019-2023	5,723,067
2024-2028	5,377,825
2029	207,549
Total minimum lease payments	18,730,368
Less: amount representing interest	(4,662,289)
Present value of minimum lease payments	$ 14,068,079

NOTE 8 – LONG-TERM DEBT

Pension Obligation Bonds

On June 29, 2004, the County issued $13,877,742 in taxable Pension Obligation Bonds. The County participated in two separate issues. For Series A-2, the County issued $7,007,742 in Capital Appreciation Bonds through the California Statewide Community Development Authority. For Series B, the County issued $6,870,000 in floating rate securities (Index Bonds) by private placement. The bonds were issued to pay the County's unfunded accrued actuarial liability (UAAL) to the California Public Employees' Retirement System (CalPERS). Pension Obligation Bonds are unconditional obligations, payable from any legally available source of funds.

2004 Series A-2 Pension Obligation Bonds (Capital Appreciation Bonds)

The Series A-2 Pension Obligation Bonds were structured with no interest or principal payments during the first two years of the twenty-year issue. Each year, as a bond coupon matures within the series, principal and interest are due and payable for that coupon.

Series A-2 Pension Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
CalPERS UAAL (2014-2018)	5.78 - 6.29%	$ 1,899,881
CalPERS UAAL (2019-2023)	6.38 - 6.56%	1,583,812
CalPERS UAAL (2024)	6.58%	286,344
Total		$ 3,770,037

Annual debt service requirements to maturity for the Series A-2 Pension Obligation Bonds are as follows:

Year Ending June 30	Principal	Interest
2014	$ 409,061	$ 310,939
2015	393,092	351,908
2016	379,471	395,529
2017	365,703	439,297
2018	352,554	482,446
2019-2023	1,583,812	3,081,188
2024	286,344	753,657
Total	$ 3,770,037	$ 5,814,964

2004 Series B Pension Obligation Bonds (Index Bonds)

The interest rate for the Series B Pension Obligation Bonds is indexed to the London Interbank Offered Rate (LIBOR). The calculation is based on LIBOR plus 0.30%. The County is required to deposit with the Trustee, Wells Fargo Bank, on or before August 1 of each year of the 20-year issue, the estimated annual debt service amount for the upcoming year plus an additional 2.00%, amounting to $103,440 for the 2013 fiscal year, to ensure that debt service funds will be sufficient in the event that the LIBOR rate exceeds projections.

NOTE 8 – LONG-TERM DEBT (Continued)

Pension Obligation Bonds (Continued)

2004 Series B Pension Obligation Bonds (Index Bonds) (Continued)

Series B Pension Obligation Bonds currently outstanding are as follows:

Purpose	Current Interest Rate	Amount
CalPERS UAAL	0.210% as of 06/13 (variable)	$ 4,710,000

Projected annual debt service requirements to maturity for the Series B Pension Obligation Bonds are as follows:

Year Ending June 30	Principal	Interest
2014	$ 290,000	$ 61,490
2015	300,000	57,720
2016	330,000	95,220
2017	360,000	125,730
2018	390,000	148,350
2019-2023	2,415,000	718,345
2024	625,000	50,310
Total	$ 4,710,000	$ 1,257,165

Lease Revenue Bonds

The County created the Kings County Public Financing Authority in order to issue $11,470,000 of non-taxable Revenue Bonds on March 15, 2005, to finance a portion of the Jail Facility Construction Project costs. The County has pledged revenues derived from the Criminal Justice Facilities Fund representing a portion of the penalty assessments by the Judicial Courts to pay the debt service. In general, these bonds are issued as 23-year serial bonds that are structured for principal amounts to mature each year. Bonds maturing April 1, 2009, to April 1, 2015, are subject to optional call redemptions by the County on or after April 1, 2008, as a whole or in part. In addition, bonds are redeemable on or after April 1, 2015, for bonds maturing April 1, 2016, to April 1, 2028. The bond issuance is collateralized by the County's Human Services Building, Law Building, and Human Resources Building with a combined appraised value of $11,461,700. A Reserve Fund is also required to be established and maintained to secure annual debt service payments that amount to $777,678 for fiscal year 2013.

Series A Lease Revenue Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Jail Construction (2014-2018)	3.63-4.00%	$ 2,295,000
Jail Construction (2019-2023)	4.00-4.25%	2,790,000
Jail Construction (2024-2028)	4.25-4.50%	3,430,000
Total		$ 8,515,000

NOTE 8 – LONG-TERM DEBT (Continued)

Lease Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2014	$ 425,000	$ 354,425
2015	440,000	339,019
2016	460,000	322,519
2017	475,000	305,269
2018	495,000	286,863
2019-2023	2,790,000	1,116,269
2024-2028	3,430,000	471,250
Total	$ 8,515,000	$ 3,195,614

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

Governmental Activities	Beginning Balance	Additions	Adjustments	Reductions	Ending Balance	Due Within One Year
Bonds payable:						
Pension obligation bonds Series A-2	$ 4,193,521	$ -	$ -	$ (423,484)	$ 3,770,037	$ 409,061
Pension obligation bonds Series B	5,005,000	-	-	(295,000)	4,710,000	290,000
Lease revenue bonds	8,925,000	-	-	(410,000)	8,515,000	425,000
Total bonds payable	18,123,521	-	-	(1,128,484)	16,995,037	1,124,061
Capital leases	14,892,595	226,590	101,846	(1,152,952)	14,068,079	1,148,838
Claims	9,538,000	4,168,041	-	(3,491,041)	10,215,000	2,741,943
Compensated absences	6,197,519	6,122,673	-	(6,105,528)	6,214,664	-
Long-term liabilities	$ 48,751,635	$ 10,517,304	$ 101,846	$ (11,878,005)	$ 47,492,780	$ 5,014,842

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, $9,038,000 of claims, $626,936 of compensated absences, and $511,266 of capital leases from internal service funds are included in the above amounts.

NOTE 9 – DEFERRED INFLOW OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, the County recognized deferred inflows of resources in the government-wide fund statements. These items are an acquisition of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. Deferred inflows of resources consisted of $1,457,448 from property taxes and $1,398,782 from grantors, for a grand total of $2,856,230 for the year ended June 30, 2013.

NOTE 10 – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County established in 1979 Self-Insurance Programs for Workers' Compensation, General Liability, and Health Insurance risk management funds. County premiums paid into the General Fund (general liabilities) and into the internal service funds (workers' compensation, health insurance) are primarily premium charges to other funds and are available to pay claims, claim reserves, and administrative costs of the programs. Some insurance programs are partially self-funded.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of this process in estimating the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Liabilities include allocated loss adjustment expenses (ALAE) which are direct costs associated with the defense of individual claims (legal fees, investigation fees, court fees). Also included are unallocated loss adjustment expenses (ULAE) representing the cost to administer all claims to final settlement, which may be years into the future. A discount is calculated for investment income assuming a 6.0% return on investments per year for both workers compensation and general liability.

The County has coverage limits for excess liability for individual claims in excess of $500,000 through $25,000,000.

	General Liability	Workers' Compensation	Year Ended June 30, 2013
Unpaid claims, beginning of fiscal year	$ 1,047,000	$ 8,491,000	$ 9,538,000
Incurred claims (including IBNRs)	693,878	3,474,163	4,168,041
Claim payments	(563,878)	(2,927,163)	(3,491,041)
Unpaid claims, end of fiscal year	$ 1,177,000	$ 9,038,000	$ 10,215,000

The County has medical malpractice coverage with limits of $21,500,000 over the $5,000 deductible. Fully insured programs include property insurance with limits of $600,000,000, master crime liability program with limits of $15,000,000 over the $25,000 deductible, a pollution liability program with limitations to $10,000,000, a fiduciary liability program with limits of $5,000,000, and an aircraft liability program with limits of $20,000,000. In addition, the County has designated funds to manage risk as follows: Earthquake Self-Insurance for $500,000, Liability Self-Insurance for $2,346,206, Economic Uncertainties for $3,300,271, and reserves for Contingencies amounting to $25,985,200.

NOTE 11 – JOINTLY GOVERNED ORGANIZATION

The County, with fifty-two other counties, is a member of the California State Association of Counties Excess Insurance Authority (C.S.A.C. or the Authority). The Authority is a statewide Joint Powers Agency for insurance purposes organized in accordance with California Government Codes. The purpose of the entity is to develop and fund excess insurance programs for member counties. Each member county pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the Authority. The Authority operates public entity risk pools including workers' compensation, comprehensive liability, property, medical malpractice, and other pool purchases for excess insurance programs and services for members. The Authority is under the control and direction of a board of directors consisting of representatives of the fifty-two member counties who annually elect an executive committee. The executive committee controls include the daily management of ongoing operations and the budgeting process.

NOTE 12 – CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

County tax collectors administer collection and distribution of property taxes pursuant to the California Revenue and Taxation Code, including the charge of a Property Tax Administration Fee (PTAF). Some cities have disputed the way their county was charging the PTAF. On November 19, 2012, the California Supreme Court ruled that such administration fees were being improperly collected. Although there are still remaining questions about statute of limitations and interest, all counties in the state, including the County of Kings, are working with cities to repay improperly collected fees. The County received claims from all four cities. To date, the County has settled with one city, is in settlement discussions with another city, and was recently sued by the remaining two cities. The exposure ranges from $1,939,000 (for 6 years) to $1,009,000 (for 3 years) plus potential annual interest of 7%.

As a public entity and due to its size and its activities, at virtually all times, the County is a defendant, co-defendant, or cross-defendant in various court cases in which money damages are sought. The majority of these lawsuits are not presently determinable; in the opinion of the County's counsel, the resolution of these matters, other than the contingent PTAF item noted above, will not have a material adverse effect on the financial condition of the County.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Plan Description:

The County contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan in which all full-time employees of the County are eligible to participate. CalPERS provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment agent for participating public entities within the State of California and is administered by the CalPERS Board of Administration according to the provisions set forth in the California Public Employees Retirement Law. Benefit provisions and other requirements are established by County ordinance and contract. A copy of the 2010 Annual Actuarial Valuation Report may be obtained from their Executive Offices – Lincoln Plaza – 400 Q Street – Sacramento, CA 95814.

Funding Policy:

The contribution requirement of plan members and the County are established and may be amended by the CalPERS Board of Administration. Plan members are required to contribute 7% for the Miscellaneous Plan and 9% for the Safety Plan for their annual covered salary. The County is required to contribute at an actuarially determined rate; the current rate is 11.146% for non-safety employees (Miscellaneous Plan) and 17.451% for safety employees (Safety Plan) of annual covered payroll. Within the Miscellaneous Plan, for the fiscal year 2012-13 the County did not fund the employees required contribution except for the Board of Supervisors entire required contribution of 7%. Within the Safety Plan the County did not fund the employees required contribution and the Probation, Sheriff's and Sheriff Management employees contributed their 9% and 4% of the County's required contribution.

Annual Pension Cost – Miscellaneous Plan:

For the fiscal year 2012-13, the County's annual pension cost for the Miscellaneous Plan is $4,394,625 (exclusive of the employees share) for CalPERS that was equal to the County's required and actual contributions. In addition, the County pays the employees' required contributions of $49,766, amounting to a total County annual pension cost of $4,444,391. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30 to 14.20% depending on age, service, and type of employment, increased annually, (c) assumed annual inflation growth rate of 2.75% and payroll growth of 3.00%, and (d) no post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. CalPERS amortizes unfunded actuarial accrued liabilities as a level percentage of projected payroll on a closed basis not to be lower than the payment calculated over a 30-year amortization period. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% each year. The unfunded actuarial liability of $26,430,620 is amortized over an average 14.25-year amortization period. The net effect from all amortization bases, including the expected payments and interest charges, increased the required employer annual contribution by $134,835. These net amortization charges have increased the County's rates by 9.67%.

Annual Pension Cost – Safety Plan:

For the fiscal year 2012-13, the County's annual pension cost for the Safety Plan is $2,764,619 (exclusive of the employees share) for CalPERS that was equal to the County's required and actual contributions. In addition, the County pays the required contributions for certain employees and only a portion of the contributions for other employees within this group totaling $107,834, which amounts to a total County pension cost of $2,872,453. The required contribution was determined as part of the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30 to 14.20% depending on age, service, and type of employment, increased annually, (c) assumed annual inflation growth rate of 2.75% and payroll growth of 3.00%, and (d) no post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. CalPERS amortizes unfunded actuarial accrued liabilities as a level percentage of projected payroll on a closed basis not to be lower than the payment calculated over a 30-year amortization period. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% each year. The unfunded actuarial liability of $12,280,999 is amortized over an average 30-year amortization period. The net effect from all amortization bases, including the expected payments and interest charges, increased the required employer annual contribution by $40,054. These net amortization charges have decreased the County's rates by 11.13%.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description:

The County provides health insurance benefits (medical, dental, vision, chiropractic, and mental health) through a self-insured plan administered by Blue Cross using the Blue Cross PPO. The County contributes toward the cost of such coverage for its employees as set forth in a bargaining memorandum of understanding. The County does not explicitly contribute toward the cost of health benefits for retirees. However, there are two benefits offered to County retirees that give rise to an implicit cost to the County under GASB Statement No. 45:

1. Retirees with more than a stated number of service hours at the time they retire are entitled to convert a portion of their accumulated sick leave to a dollar amount which is held in a Medical Incentive Account (MIA) for the purpose of helping defray some or all of the costs of health insurance coverage through the County's plan until the account is exhausted.

2. Premiums charged to retirees in the plan are the same as those used for active employees. Because the plan is self-insured, the County is actually paying claims and administrative expenses on behalf of all participating retirees – the premiums are a mechanism for budgeting and negotiations, but do not reflect the underlying cost of providing retiree healthcare coverage. The excess of the actual cost of retiree and dependent coverage over the premiums charged to those retirees constitutes a significant financial benefit, sometimes called an employer's "implicit subsidy" under GASB Statement No. 45.

When the retiree reaches Medicare eligibility, he/she is no longer eligible to participate in the County plan; however, any remaining account balance may be used for purposes of defraying Medicare Supplement insurance premiums purchased outside the County's plan.

All employee groups except Elected Officials follow the same general rule, in that there are two tiers of employees, those hired before a given cutoff date and those hired on or after that date. Employees hired before the cutoff date may make a one-time election to receive a cash-out of their accumulated sick leave hours rather than convert them to an MIA, an option not available to post cutoff date hires. Also, the benefit percentage applied dollar value of accumulated sick leave hours may differ between the two tiers, and number of service hours required to be eligible for a given benefit percentage may differ as well.

A general description of the benefit provisions by group follow (memoranda of understanding should be referred to for more details). Members of the Kings County General Membership of Service Employees International Union (S.E.I.U.), Kings County Prosecutors Association (K.C.P.A.), and Kings County Detention Deputy Association (K.C.D.D.A.) hired prior to January 1, 1999 (September 1, 2000 for K.C.D.D.A.) with at least 10,401 service hours may receive an MIA equal to 40% of the converted value of their sick leave hours. A benefit percentage of 50% applies to members with at least 41,601 service hours. Members of these three associations hired after the applicable cutoff date have percentages of 25%, 35%, or 45% applied to the converted value of their sick leave hours, based on having attained service hour thresholds of at least 20,801, 31,201, or 41,601 hours, respectively.

Members of Kings County Deputy Sheriffs' Association have percentages of 40% and 50% that apply whether hired before or after a cutoff date of January 1, 1999, but those hired before the cutoff date have service hours threshold of 10,400, while those hired on or after that date have a threshold of 20,801 to receive the 40% benefit.

Employees covered under the Kings County Unrepresented Management memorandum are subject to percentages of 40% and 50% with thresholds of 10,401 and 41,601, respectively. Fire employees are not eligible for the sick leave conversion benefit, but may elect coverage in the County's health plan upon retirement and self-pay the premiums for such coverage. Elected officials earn MIA account balance at the rate of 7.5 months of the single-retiree premium for each year of service, with a minimum of 12 years of service (normally three terms) in order to qualify.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy:

As required by GASB Statement No. 45, an actuary will determine the County's Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years. However, GASB Statement No. 45 does not require pre-funding of OPEB benefits. Therefore, the County's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The County has elected not to establish an irrevocable trust at this time. The County's Board reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the County.

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 parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows 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:

Annual required contribution	$ 1,190,510
Interest on net OPEB obligation	115,956
Adjustment to annual required contribution	(167,644)
Annual OPEB cost (expense)	1,138,822
Contributions made	(407,777)
Increase in net OPEB obligation	731,045
Net OPEB obligation - beginning of year	2,898,911
Net OPEB obligation - end of year	$ 3,629,956

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation for the fiscal year ended June 30, 2013, and the proceeding year was as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 1,151,677	$ 430,209	37.36%	$ 2,355,651
June 30, 2012	$ 1,140,369	$ 597,109	52.36%	$ 2,898,911
June 30, 2013	$ 1,138,822	$ 407,777	35.81%	$ 3,629,956

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation: (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the County are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2012. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after 3 years. Both assumptions reflect an implicit 3.0% general inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2013, was 30 years.

NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2013, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
Major Funds	
General Fund	
Interest	$ 793,074
Capital Outlay	1,031,873
Road Fund	
Highways and Streets	2,670,427
Debt Service Fund	
Interest	368,775
Nonmajor Funds	
Library Fund	
Principal and Interest Payments	9,479
Fire Fund	
Principal and Interest Payments	182,883
Capital Outlay	627,595
Fish and Game	
Public Ways and Facilities	159
Off-Highway Motor Vehicle	
Public Safety	336
Public Ways and Facilities	5,355
Community Development Block Grants	
Public Assistance Expenditures	513,879
In-Home Supportive Services	
Principal and Interest Payments	3,495
Children and Families First	
Principal and Interest Payments	2,094
Capital Outlay	8,594
Internal Service Funds	
Workers' Compensation Self-Insurance Fund	
Administration	69,870
Fleet Management	
Administration	6,168
Information Services Fund	
Administrative Expense	43,103
Depreciation Expense	300,750
Public Works Fund	
Depreciation Expense	10,024

NOTE 16 – INVESTMENT INCOME ASSIGNED DIRECTLY TO THE BENEFIT OF ANOTHER FUND IS AS FOLLOWS

Type of Fund	Fund Name	General Fund
Internal Service Fund	Workers' Compensation Self-Insurance	$ 49,475
Fiduciary Fund	Agency Collections Payable	1,511
Fiduciary Fund	Court Alcohol/Drug Test	363
Fiduciary Fund	School Developer Fees	114
Fiduciary Fund	Assessor's Misc Trust	1
Fiduciary Fund	Food Stamp Trust	4,684
Fiduciary Fund	Welfare Repayment Trust	76
Fiduciary Fund	D.A. Restitution Fund	281
Fiduciary Fund	Retiree Health Trust	2,880
Fiduciary Fund	Schools Trust	5,097
Fiduciary Fund	City of Avenal	347
Fiduciary Fund	City of Corcoran	1,147
Fiduciary Fund	City of Hanford	1,895
Fiduciary Fund	City of Lemoore	948
		$ 68,819

A Fiduciary Fund called “Department Trust” reported investment income of $16,511 which includes all fund types that were directly assigned to the benefit of the General Fund.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

Governmental Activities

Pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The County made adjustments for these items as a prior period adjustment; this resulted in net position for governmental activities to be reduced by $584,098.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

	Governmental Activities
Net position at July 1, 2012, as previously stated	$ 136,023,769
Proper reversals of prior year revenues	(542,926)
Redevelopment agency dissolution distribution correction	(562,800)
Expense deferred issuance costs	(584,098)
Record capital assets not accounted for in prior years	1,978,737
Correct accumulated depreciation	(67,611)
Correction to construction in progress	47,904
Assets removed from Structures and Improvements	(86,944)
Adjustment of prior year deferred revenue receivables	(5,172,768)
Total prior period adjustments	(4,990,506)
Net position at July 1, 2012, as restated	$ 131,033,263

NOTE 18 – PRIOR PERIOD ADJUSTMENTS (Continued)

	General Fund	Road Fund
Fund balance at July 1, 2012, as previously stated	$ 21,452,292	$ 12,518,892
Proper reversals of prior year revenues	(473,336)	(92,614)
Total prior period adjustment	(473,336)	(92,614)
Fund balance at July 1, 2012, as restated	$ 20,978,956	$ 12,426,278

	Nonmajor Funds				
	Library Fund	Fire Fund	County Fish and Game Fund	JTO Fund	Criminal Justice Fund
Fund balance at July 1, 2012, as previously stated	$ 2,932,700	$ 1,581,989	$ 19,159	$ (355,820)	$ 177,497
Proper reversals of prior year revenues	(429)	(3,096)	(502)	197,384	(170,333)
Redevelopment agency dissolution distribution correction	-	(562,800)	-	-	-
Total prior period adjustment	(429)	(565,896)	(502)	197,384	(170,333)
Fund balance at July 1, 2012, as restated	$ 2,932,271	$ 1,016,093	$ 18,657	$ (158,436)	$ 7,164

NOTE 19 – SUBSEQUENT EVENTS

During the month of July 2013, a capital improvement project, as recorded in the governmental activities Structures and Improvements Account, in the amount of $905,000 as of June 30, 2013, was deeded over to the City of Hanford in accordance with the contract upon completion of the project by the County.

In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the these basic financial statements. Management has determined that no events, other than the matter noted above, require disclosure in accordance with accounting standards. These subsequent events have been evaluated through December 24, 2013, which is the date the basic financial statements were issued.

Required Supplementary Information

COUNTY OF KINGS
SCHEDULE OF FUNDING PROGRESS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
FOR THE YEAR ENDED JUNE 30, 2013
LAST 10 YEARS

Miscellaneous Plan (Non-Safety)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (Entry Age)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll
2003	$ 140,251,440	$ 144,404,384	$ 4,152,944	97.1%	$ 33,870,312	12.3%
2004	147,285,370	154,954,922	7,669,552	95.1%	35,101,173	21.8%
2005	157,417,167	167,860,950	10,443,783	93.8%	36,707,124	28.5%
2006	169,450,555	181,127,876	11,677,321	93.6%	37,988,203	30.7%
2007	183,906,512	196,655,853	12,749,341	93.5%	42,388,924	30.1%
2008	197,990,793	212,155,872	14,165,079	93.3%	46,813,581	30.3%
2009	208,741,913	228,858,969	20,117,056	91.2%	46,025,287	43.7%
2010	219,802,384	240,233,601	20,431,217	91.5%	45,250,618	45.2%
2011	232,098,152	256,950,451	24,852,299	90.3%	45,262,231	54.9%
2012	242,972,174	269,402,794	26,430,620	90.2%	45,654,884	57.9%

Safety Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (Entry Age)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll
2003	$ 78,156,781	$ 90,794,141	$ 12,637,360	86.1%	$ 13,787,105	91.7%
2004	97,831,081	100,136,652	2,305,571	97.7%	14,614,667	15.8%
2005	105,933,868	107,950,259	2,016,391	98.1%	15,219,303	13.2%
2006	114,158,296	116,899,376	2,741,080	97.7%	16,061,956	17.1%
2007	124,199,564	128,359,684	4,160,120	96.8%	17,429,831	23.9%
2008	133,358,580	138,613,602	5,255,022	96.2%	18,253,435	28.8%
2009	140,267,899	146,892,194	6,624,295	95.5%	18,311,261	36.2%
2010	147,464,928	153,953,560	6,488,632	95.8%	18,464,314	35.1%
2011	156,093,387	166,546,673	10,453,286	93.7%	18,500,575	56.5%
2012	162,957,735	175,238,734	12,280,999	93.0%	18,903,707	65.0%

COUNTY OF KINGS
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE
FOR THE YEAR ENDED JUNE 30, 2013
LAST 10 YEARS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Overfunded (Underfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$ -	$ 10,182,975	$ (10,182,975)	0.0%	$ 64,336,548	-15.8%
2010	-	8,129,733	(8,129,733)	0.0%	63,714,932	-12.8%
2012	-	8,240,190	(8,240,190)	0.0%	64,558,591	-12.8%

Note: GASB Statement No. 45 requires an actuarial valuation for the County's retiree health insurance program at least once every two fiscal years with ten fiscal years of comparison data. However GASB Statement No. 45 was implemented in 2008, and no data was available prior to this date. As more information becomes available, the County will continue to expand the comparison of data until the requirement of ten years has been met.

COUNTY OF KINGS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes:				
Property taxes	$ 34,611,000	$ 34,611,000	$ 17,171,755	$ (17,439,245)
Sales tax	2,100,000	2,100,000	1,899,006	(200,994)
Franchise taxes	1,200,000	1,200,000	1,095,758	(104,242)
Hotel taxes	280,000	280,000	277,490	(2,510)
Licenses and permits	334,938	334,938	379,684	44,746
Fines and forfeits	525,088	525,088	714,507	189,419
Intergovernmental revenues	106,165,221	107,316,764	120,651,093	13,334,329
Charges for services	8,919,347	9,233,185	8,754,046	(479,139)
Rents and concessions	436,164	436,164	748,940	312,776
Investment earnings	525,100	525,100	(5,329)	(530,429)
Contributions and donations	-	-	15,505	15,505
Miscellaneous revenues	4,301,859	4,590,793	6,382,215	1,791,422
Total Revenues	159,398,717	161,153,032	158,084,670	(3,068,362)
Expenditures				
Current:				
General government	16,552,296	16,824,206	14,838,737	1,985,469
Public safety	52,937,353	54,123,590	47,937,603	6,185,987
Public ways and facilities	22,459	24,885	24,307	578
Health and sanitation	28,503,679	28,657,792	28,255,188	402,604
Public assistance	58,527,299	59,213,578	55,772,710	3,440,868
Education	192,796	195,890	155,067	40,823
Culture and recreation	2,031,700	2,034,003	1,920,799	113,204
Debt service:				
Principal	2,589,291	2,589,291	1,444,186	1,145,105
Interest	-	-	793,074	(793,074)
Capital outlay	11,129	8,035	1,039,908	(1,031,873)
Total Expenditures	161,368,002	163,671,270	152,181,579	11,489,691
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,969,285)	(2,518,238)	5,903,091	8,421,329

COUNTY OF KINGS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Other Financing Sources (Uses)				
Capital leases - other financing sources	-	-	182,469	182,469
Transfers in	(2,273,229)	(2,434,509)	-	2,434,509
Transfers out	(4,964,582)	(4,679,908)	(2,408,199)	2,271,709
Appropriation for contingencies	(4,443,286)	(4,383,286)	-	4,383,286
Total Other Financing Sources (Uses)	(11,681,097)	(11,497,703)	(2,225,730)	9,271,973
Net Change in Fund Balance	(13,650,382)	(14,015,941)	3,677,361	17,693,302
Fund Balance, Beginning of Year	21,452,292	21,452,292	21,452,292	-
Prior Period Adjustment	-	-	(473,336)	(473,336)
Fund Balance, End of Year	$ 7,801,910	$ 7,436,351	$ 24,656,317	$ 17,219,966

Note: The basis of budgeting for the County is essentially a non-GAAP accounting basis less contingencies that differs from the cash basis of accounting. Removing contingencies from $4,383,286, the final budgeted fund balance result is $11,819,637. The fund balance ending variance would then be $11,819,367 final budget vs. $24,656,317 actual = $12,836,680 variance with budget. The actual fund balance amount is based on GAAP using the modified accrual basis of accounting.

COUNTY OF KINGS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes:				
Sales tax	$ 20,000	$ 20,000	$ 312,239	$ 292,239
Fines and forfeits	410,000	410,000	434,223	24,223
Intergovernmental revenues	4,350,000	4,350,000	5,171,958	821,958
Investment earnings	100,000	100,000	11,586	(88,414)
Miscellaneous revenues	1,000,000	1,000,000	552,498	(447,502)
Total Revenues	5,880,000	5,880,000	6,482,504	602,504
Expenditures				
Current:				
Highways and streets	5,880,000	6,480,000	9,150,427	(2,670,427)
Total Expenditures	5,880,000	6,480,000	9,150,427	(2,670,427)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(600,000)	(2,667,923)	(2,067,923)
Fund Balance, Beginning of Year	12,518,892	12,518,892	12,518,892	-
Prior Period Adjustment	(92,614)	(92,614)	(92,614)	-
Fund Balance, End of Year	$ 12,426,278	$ 11,826,278	$ 9,758,355	$ (2,067,923)

Note: The basis of budgeting for the County is essentially a non-GAAP accounting basis less contingencies that differs from the cash basis of accounting. The actual fund balance amount is based on GAAP using the modified accrual basis of accounting.

Supplementary Information

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	$ -	$ 8,362	$ 8,362
Total Revenues	-	8,362	8,362
Expenditures			
Current:			
Public ways and facilities	2,000	2,000	-
Debt service:			
Principal	781,275	410,000	371,275
Interest	-	368,775	(368,775)
Total Expenditures	783,275	780,775	2,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	(783,275)	(772,413)	10,862
Other Financing Sources			
Transfers in	777,675	867,473	89,798
Total Other Financing Sources	777,675	867,473	89,798
Net Change in Fund Balance	(5,600)	95,060	100,660
Fund Balance, Beginning of Year	1,531,316	1,531,316	-
Fund Balance, End of Year	$ 1,525,716	$ 1,626,376	$ 100,660

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	$ 33,000,000	$ -	$ (33,000,000)
Investment earnings	50,000	(21,142)	(71,142)
Miscellaneous revenues	25,593	81,987	56,394
Total Revenues	33,075,593	60,845	(33,014,748)
Expenditures			
Current:			
Public ways and facilities	3,017,069	91,895	2,925,174
Capital outlay	44,644,392	4,385,715	40,258,677
Total Expenditures	47,661,461	4,477,610	43,183,851
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,585,868)	(4,416,765)	10,169,103
Other Financing Sources (Uses)			
Transfers in	7,003,500	339,161	(6,664,339)
Transfers out	(283,497)	-	283,497
Appropriation for contingencies	3,075,530	-	(3,075,530)
Total Other Financing Sources (Uses)	9,795,533	339,161	(9,456,372)
Net Change in Fund Balance	(4,790,335)	(4,077,604)	712,731
Fund Balance, Beginning of Year	14,126,644	14,126,644	-
Fund Balance, End of Year	$ 9,336,309	$ 10,049,040	$ 712,731

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Library Fund – The Library is a Special District under the governance of the Kings County Board of Supervisors providing informational, cultural, and recreational services to the public through six library branches. This fund is used to account for revenues derived from property taxes, state aid, and service fees that are restricted to fund the operations of the County libraries.

Fire Fund – This fund is used to account mainly for property tax revenues and federal and state aid to provide fire protection and rescue related services through 12 fire stations to the cities of Corcoran and Avenal and the unincorporated areas in the County.

County Fish and Game Fund – This fund is used to account for the County's share of fines levied for violations of the fish and game laws within its boundaries. Expenditures are made from time to time for purposes of improving the habitat for wildlife propagation and for incidental administrative matters based on recommendations of the Fish and Game Commission to the Kings County Board of Supervisors.

Child Support Services Fund – This fund is used to account for the federal and state mandated program revenues designed to provide a variety of services related to the establishment of paternity and the legal enforcement, modification, collection, and disbursement of support payments to families.

Off-Highway Motor Vehicle Fund – The Off-Highway Vehicle Law of 1971 requires users of trail bikes, dune buggies, and similar vehicles designed for off-highway use to purchase an identification certificate. This fund can only be used to account for acquisition and development of off-road recreation areas. Allowable expenditures include feasibility studies, planning studies, environmental impact reports, and other expenses necessary to implement acquisition or development.

Job Training Office (JTO) Fund – This fund is used to account for federal funding for all Workforce Investment Act (WIA) funded programs used to provide for County-wide expenditures related to employment, training, and economic development activities.

Community Development Block Grants (CDBG) Fund – This fund is used to account for federal funding related to public assistance programs for home loans and housing rehabilitations.

Criminal Justice Facility Fund – This fund is used to account for the fines received from the Courts designated for the construction of the Criminal Justice Facility and Court Buildings.

In-Home Supportive Services (I.H.S.S.) Public Authority Fund – This fund is used to account for Federal and State Aid designated for County-wide oversight of the In-Home Supportive Services (I.H.S.S.) Program providing in-house care for indigents.

Children and Families First Commission Fund – This fund is used to account for Proposition 10 revenues, passed by California voters in November of 1998, imposing a fifty-cent-per-pack state sales tax on tobacco to fund a comprehensive, integrated system of early childhood development services for California children ages 0 to 5. The overall intent of the program is for children to enter school healthy and ready to learn with 80% of the revenues going to County Commissions to fund local programs.

Major Fund during 2013 Fiscal Year:

Road Fund – This fund is used to account for revenues generated by a 1/4% sales tax, federal and state aid, and the County's share of fines for vehicle code and traffic violations. Expenditures are restricted to road and bridge construction and maintenance, which are performed by the Public Works Department.

COUNTY OF KINGS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Library	Fire	County Fish and Game	Child Support Services
Assets				
Cash and cash equivalents	$ 252,024	$ 186,613	$ 1,286	$ 10,358
Imprest cash	454	200	-	-
Treasurer's investments	2,939,852	2,279,303	15,635	136,776
Deposit with others	-	-	-	-
Receivables	119,525	350,112	50	1,066
Total Assets	$ 3,311,855	$ 2,816,228	$ 16,971	$ 148,200
Liabilities				
Accrued expenses payable	$ 30,628	$ 313,211	$ -	$ 70,925
Due to other funds	12,419	58,401	-	32,566
Due to other governments	136	562,821	-	-
Total Liabilities	43,183	934,433	-	103,491
Deferred Inflows of Resources				
Deferred inflow from property taxes	109,896	344,083	-	-
Total Inflows of Resources	109,896	344,083	-	-
Fund Balances				
Restricted	3,158,322	1,537,512	16,971	44,709
Assigned	454	200	-	-
Unassigned	-	-	-	-
Total Fund Balances	3,158,776	1,537,712	16,971	44,709
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,311,855	$ 2,816,228	$ 16,971	$ 148,200

COUNTY OF KINGS
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Off-Highway Motor Vehicle	Job Training Office	Community Development Block Grants	Criminal Justice Facility
Assets				
Cash and cash equivalents	$ 7,488	$ 2,012	$ 105,453	$ 18
Imprest cash	-	-	-	-
Treasurer's investments	88,676	(6,536)	1,238,666	65,779
Deposit with others	-	-	-	-
Receivables	287	19,451	3,244	394
Total Assets	$ 96,451	$ 14,927	$ 1,347,363	$ 66,191
Liabilities				
Accrued expenses payable	$ -	$ 252,841	$ 71,885	$ (102)
Due to other funds	-	108,609	299,288	100
Due to other governments	-	-	-	-
Total Liabilities	-	361,450	371,173	(2)
Deferred Inflows of Resources				
Deferred inflow from property taxes	-	-	-	-
Total Inflows of Resources	-	-	-	-
Fund Balances				
Restricted	96,451	-	976,190	66,193
Assigned	-	-	-	-
Unassigned	-	(346,523)	-	-
Total Fund Balances	96,451	(346,523)	976,190	66,193
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 96,451	$ 14,927	$ 1,347,363	$ 66,191

COUNTY OF KINGS
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	In-Home Supportive Services Public Authority	Children and Families First Commission	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	$ -	$ 177,626	$ 742,878
Imprest cash	-	100	754
Treasurer's investments	(25,254)	2,097,323	8,830,220
Deposit with others	60,171	-	60,171
Receivables	-	385,140	879,269
Total Assets	$ 34,917	$ 2,660,189	$ 10,513,292
Liabilities			
Accrued expenses payable	$ 75,202	$ 139,183	$ 953,773
Due to other funds	26,174	5,642	543,199
Due to other governments	-	-	562,957
Total Liabilities	101,376	144,825	2,059,929
Deferred Inflows of Resources			
Deferred inflow from property taxes	-	-	453,979
Total Inflows of Resources	-	-	453,979
Fund Balances			
Restricted	(66,459)	2,515,264	8,345,153
Assigned	-	100	754
Unassigned	-	-	(346,523)
Total Fund Balances	(66,459)	2,515,364	7,999,384
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 34,917	$ 2,660,189	$ 10,513,292

COUNTY OF KINGS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Library	Fire	County Fish and Game	Child Support Services
Revenues				
Taxes:				
Property taxes	$ 1,876,872	$ 5,999,976	$ -	$ -
Franchise taxes	-	26,190	-	-
Fines and forfeits	-	-	333	-
Intergovernmental revenues	24,370	2,953,370	368	3,977,161
Charges for services	38,636	10,329	-	-
Rents and concessions	210	-	-	-
Investment earnings (loss)	(2,802)	(7,513)	-	1,474
Contributions and donations	21,329	1,500	-	-
Miscellaneous revenues	254,448	363,523	-	8,231
Total Revenues	2,213,063	9,347,375	701	3,986,866
Expenditures				
Current:				
Public safety	-	8,979,668	2,228	3,987,457
Public ways and facilities	-	-	159	-
Public assistance	-	-	-	(15,449)
Education	2,000,589	-	-	-
Debt service:				
Principal	7,609	135,362	-	4,882
Interest	1,870	47,521	-	930
Capital outlay	17,269	627,595	-	64,666
Total Expenditures	2,027,337	9,790,146	2,387	4,042,486
Excess (Deficiency) of Revenues Over (Under) Expenditures	185,726	(442,771)	(1,686)	(55,620)
Other Financing Sources (Uses)				
Transfers in	-	925,000	-	-
Transfers out	-	-	-	-
Capital leases - other financing sources	40,779	39,390	-	25,387
Total Other Financing Sources (Uses)	40,779	964,390	-	25,387
Net Change in Fund Balances	226,505	521,619	(1,686)	(30,233)
Fund Balances, Beginning of Year	2,932,700	1,581,989	19,159	74,942
Prior Period Adjustment	(429)	(565,896)	(502)	-
Fund Balances, End of Year	$ 3,158,776	$ 1,537,712	$ 16,971	$ 44,709

COUNTY OF KINGS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Off-Highway Motor Vehicle	Job Training Office	Community Development Block Grants	Criminal Justice Facility
Revenues				
Taxes:				
Property taxes	$ -	$ -	$ -	$ -
Franchise taxes	-	-	-	-
Fines and forfeits	-	-	-	924,771
Intergovernmental revenues	-	2,080,508	120,881	-
Charges for services	-	-	-	-
Rents and concessions	-	-	-	-
Investment earnings (loss)	(39)	(439)	(601)	1,731
Contributions and donations	-	-	-	-
Miscellaneous revenues	-	1,596,492	-	-
Total Revenues	(39)	3,676,561	120,280	926,502
Expenditures				
Current:				
Public safety	336	-	-	-
Public ways and facilities	5,355	-	-	-
Public assistance	-	3,861,315	513,879	-
Education	-	-	-	-
Debt service:				
Principal	-	2,604	-	-
Interest	-	729	-	-
Capital outlay	-	16,368	-	-
Total Expenditures	5,691	3,881,016	513,879	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,730)	(204,455)	(393,599)	926,502
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(867,473)
Capital leases - other financing sources	-	16,368	-	-
Total Other Financing Sources (Uses)	-	16,368	-	(867,473)
Net Change in Fund Balances	(5,730)	(188,087)	(393,599)	59,029
Fund Balances, Beginning of Year	102,181	(355,820)	1,369,789	177,497
Prior Period Adjustment	-	197,384	-	(170,333)
Fund Balances, End of Year	$ 96,451	$ (346,523)	$ 976,190	$ 66,193

COUNTY OF KINGS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	In-Home Supportive Services Public Authority	Children and Families First Commission	Total Nonmajor Governmental Funds
Revenues			
Taxes:			
Property taxes	$ -	$ -	$ 7,876,848
Franchise taxes	-	-	26,190
Fines and forfeits	-	-	925,104
Intergovernmental revenues	1,026,221	1,833,283	12,016,162
Charges for services	-	-	48,965
Rents and concessions	-	-	210
Investment earnings (loss)	-	(918)	(9,107)
Contributions and donations	-	-	22,829
Miscellaneous revenues	121,413	21,966	2,366,073
Total Revenues	1,147,634	1,854,331	23,273,274
Expenditures			
Current:			
Public safety	-	-	12,969,689
Public ways and facilities	-	-	5,514
Public assistance	1,381,621	2,006,305	7,747,671
Education	-	-	2,000,589
Debt service:			
Principal	2,898	1,790	155,145
Interest	597	304	51,951
Capital outlay	-	8,594	734,492
Total Expenditures	1,385,116	2,016,993	23,665,051
Excess (Deficiency) of Revenues Over (Under) Expenditures	(237,482)	(162,662)	(391,777)
Other Financing Sources (Uses)			
Transfers in	144,038	-	1,069,038
Transfers out	-	-	(867,473)
Capital leases - other financing sources	15,449	8,594	145,967
Total Other Financing Sources (Uses)	159,487	8,594	347,532
Net Change in Fund Balances	(77,995)	(154,068)	(44,245)
Fund Balances, Beginning of Year	11,536	2,669,432	8,583,405
Prior Period Adjustment	-	-	(539,776)
Fund Balances, End of Year	$ (66,459)	$ 2,515,364	$ 7,999,384

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes:			
Property taxes	$ 1,711,000	$ 1,876,872	$ 165,872
Intergovernmental revenues	15,000	24,370	9,370
Charges for services	26,000	38,636	12,636
Rents and concessions	-	210	210
Investment earnings	20,000	(2,802)	(22,802)
Contributions and donations	21,174	21,329	155
Miscellaneous revenues	127,500	254,448	126,948
Total Revenues	1,920,674	2,213,063	292,389
Expenditures			
Current:			
Education	2,236,000	2,000,589	235,411
Debt service:			
Principal	-	7,609	(7,609)
Interest	-	1,870	(1,870)
Capital outlay	23,741	17,269	6,472
Total Expenditures	2,259,741	2,027,337	235,411
Excess (Deficiency) of Revenues Over (Under) Expenditures	(339,067)	185,726	524,793
Other Financing Sources (Uses)			
Appropriation for contingencies	(2,299,885)	-	(2,299,885)
Capital leases - other financing sources		40,779	40,779
Total Other Financing Sources (Uses)	(2,299,885)	40,779	40,779
Net Change in Fund Balance	(2,638,952)	226,505	2,865,457
Fund Balance, Beginning of Year	2,932,700	2,932,700	-
Prior Period Adjustment	(429)	(429)	-
Fund Balance, End of Year	$ 293,319	$ 3,158,776	$ 2,865,457

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes:			
Property taxes	$ 5,525,524	$ 5,999,976	$ 474,452
Franchise taxes	-	26,190	26,190
Intergovernmental revenues	3,490,634	2,953,370	(537,264)
Charges for services	13,275	10,329	(2,946)
Investment earnings	5,000	(7,513)	(12,513)
Contributions and donations	-	1,500	1,500
Miscellaneous revenues	150,000	363,523	213,523
Total Revenues	9,184,433	9,347,375	162,942
Expenditures			
Current:			
Public safety	10,173,092	8,979,668	1,193,424
Debt service:			
Principal	-	135,362	(135,362)
Interest	-	47,521	(47,521)
Capital outlay	-	627,595	(627,595)
Total Expenditures	10,173,092	9,790,146	382,946
Excess (Deficiency) of Revenues Over (Under) Expenditures	(988,659)	(442,771)	545,888
Other Financing Sources (Uses)			
Transfers in	925,000	925,000	-
Capital leases - other financing sources	-	39,390	39,390
Appropriation for contingencies	(1,425,342)	-	(1,425,342)
Total Other Financing Sources (Uses)	(500,342)	964,390	(1,385,952)
Net Change in Fund Balance	(1,489,001)	521,619	2,010,620
Fund Balance, Beginning of Year	1,581,989	1,581,989	-
Prior Period Adjustment	(565,896)	(565,896)	-
Fund Balance, End of Year	$ (472,908)	$ 1,537,712	$ 2,010,620

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COUNTY FISH AND GAME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Fines and forfeits	$ 750	$ 333	$ (417)
Intergovernmental revenues	1,000	368	(632)
Investment earnings	500	-	(500)
Total Revenues	2,250	701	(1,549)
Expenditures			
Current:			
Public safety	6,450	2,228	4,222
Public ways and facilities	-	159	(159)
Total Expenditures	6,450	2,387	4,063
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,200)	(1,686)	2,514
Other Financing Sources (Uses)			
Appropriation for contingencies	(17,474)	-	17,474
Total Other Financing Sources (Uses)	(17,474)	-	17,474
Net Change in Fund Balance	(21,674)	(1,686)	19,988
Fund Balance, Beginning of Year	19,159	19,159	-
Prior Period Adjustment	(502)	(502)	-
Fund Balance, End of Year	$ (3,017)	$ 16,971	$ 19,988

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL CHILD SUPPORT SERVICES SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	$ 4,139,957	$ 3,977,161	$ (162,796)
Investment earnings	4,000	1,474	(2,526)
Miscellaneous revenues	13,032	8,231	(4,801)
Total Revenues	4,156,989	3,986,866	(170,123)
Expenditures			
Current:			
Public safety	4,156,989	3,987,457	169,532
Debt service:			
Principal	-	4,882	4,882
Interest	-	930	930
Capital outlay	-	64,666	64,666
Total Expenditures	4,156,989	4,057,935	(99,054)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(71,069)	(71,069)
Other Financing Sources (Uses)			
Capital leases - other financing sources	-	25,387	25,387
Appropriation for contingencies	(73,742)	-	73,742
Total Other Financing Sources (Uses)	(73,742)	25,387	99,129
Net Change in Fund Balance	(73,742)	(45,682)	28,060
Fund Balance, Beginning of Year	74,942	74,942	-
Fund Balance, End of Year	$ 1,200	$ 29,260	$ 28,060

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OFF-HIGHWAY MOTOR VEHICLE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	$ -	$ (39)	$ (39)
Total Revenues	-	(39)	(39)
Expenditures			
Current:			
Public safety	-	336	(336)
Public ways and facilities	-	5,355	(5,355)
Total Expenditures	-	5,691	(5,691)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,730)	5,730
Net Change in Fund Balance	-	(5,730)	(5,730)
Fund Balance, Beginning of Year	102,181	102,181	-
Fund Balance, End of Year	$ 102,181	$ 96,451	$ (5,730)

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
JOB TRAINING OFFICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	$ 2,060,569	$ 2,080,508	$ 19,939
Investment earnings	-	(439)	(439)
Miscellaneous revenues	2,061,841	1,596,492	(465,349)
Total Revenues	4,122,410	3,676,561	(445,849)
Expenditures			
Current:			
Public assistance	4,122,410	3,861,315	261,095
Debt service:			
Principal	-	2,604	2,604
Interest	-	729	729
Capital outlay	-	16,368	16,368
Total Expenditures	4,122,410	3,881,016	241,394
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(204,455)	(204,455)
Other Financing Sources (Uses)			
Capital leases - other financing sources	-	16,368	16,368
Total Other Financing Sources (Uses)	-	16,368	16,368
Net Change in Fund Balance	-	(188,087)	(188,087)
Fund Balance, Beginning of Year	(355,820)	(355,820)	-
Prior Period Adjustment	-	197,384	197,384
Fund Balance, End of Year	$ (355,820)	$ (346,523)	$ 9,297

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	$ -	$ 120,881	$ 120,881
Investment earnings	-	(601)	(601)
Total Revenues	-	120,280	120,280
Expenditures			
Current:			
Public assistance	-	513,879	(513,879)
Total Expenditures	-	513,879	(513,879)
Net Change in Fund Balance	-	(393,599)	(393,599)
Fund Balance, Beginning of Year	1,369,789	1,369,789	-
Fund Balance, End of Year	$ 1,369,789	$ 976,190	$ (393,599)

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CRIMINAL JUSTICE FACILITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Fines and forfeits	$ -	$ 924,771	$ 924,771
Investment earnings	-	1,731	1,731
Total Revenues	-	926,502	926,502
Expenditures			
Current:			
Public ways and facilities	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	926,502	-
Other Financing Sources (Uses)			
Transfers out	-	(867,473)	(867,473)
Total Other Financing Sources (Uses)	-	(867,473)	(867,473)
Net Change in Fund Balance	-	59,029	59,029
Fund Balance, Beginning of Year	177,497	177,497	-
Prior Period Adjustment	(170,333)	(170,333)	-
Fund Balance, End of Year	$ 7,164	$ 66,193	$ 59,029

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
IN-HOME SUPPORTIVE SERVICES (I.H.S.S.)
PUBLIC AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	$ 1,178,085	$ 1,026,221	$ (151,864)
Miscellaneous revenues	105,020	121,413	16,393
Total Revenues	1,283,105	1,147,634	(135,471)
Expenditures			
Current:			
Public assistance	1,522,427	1,381,621	140,806
Debt service:			
Principal	-	2,898	(2,898)
Interest	-	597	(597)
Total Expenditures	1,522,427	1,385,116	137,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	(239,322)	(237,482)	1,840
Other Financing Sources (Uses)			
Transfers in	239,323	144,038	(95,285)
Capital leases - other financing sources	-	15,449	15,449
Total Other Financing Sources (Uses)	239,323	159,487	(79,836)
Net Change in Fund Balance	1	(77,995)	(77,996)
Fund Balance, Beginning of Year	11,536	11,536	-
Fund Balance, End of Year	$ 11,537	$ (66,459)	$ (77,996)

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CHILDREN AND FAMILIES FIRST COMMISSION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	$ 1,722,451	$ 1,833,283	$ 110,832
Investment earnings	32,388	(918)	(33,306)
Miscellaneous revenues	8,541	21,966	13,425
Total Revenues	1,763,380	1,854,331	90,951
Expenditures			
Current:			
Public assistance	1,763,380	2,006,305	(242,925)
Debt service:			
Principal	-	1,790	(1,790)
Interest	-	304	(304)
Capital outlay	-	8,594	(8,594)
Total Expenditures	1,763,380	2,016,993	(253,613)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(162,662)	(162,662)
Other Financing Sources (Uses)			
Capital leases - other financing sources	-	8,594	8,594
Appropriation for contingencies	(2,310,433)	-	2,310,433
Total Other Financing Sources (Uses)	(2,310,433)	8,594	2,319,027
Net Change in Fund Balance	(2,310,433)	(154,068)	2,156,365
Fund Balance, Beginning of Year	2,669,432	2,669,432	-
Fund Balance, End of Year	$ 358,999	$ 2,515,364	$ 2,156,365

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, and to other governmental units, on a cost reimbursement basis.

Workers' Compensation Self-Insurance Fund – This fund is used to account for the County Workers' Compensation Self-Insurance Program providing coverage to County employees.

Fleet Management Fund – This fund is used to account for program costs related to motor pool and equipment maintenance to other departments and agencies.

Information Services Fund – This fund is used to account for the accumulation and allocation of costs associated with electronic data processing and related services provided.

Health Self-Insurance Fund – This fund is used to account for the County Health Self-Insurance Program providing coverage to County employees.

Public Works Fund – This fund is used to account for program costs related to roads, building and maintenance projects, surveyor, and other projects.

COUNTY OF KINGS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	Workers' Compensation Self-Insurance	Fleet Management	Information Services
Assets			
Current assets:			
Cash and cash equivalents	$ 602,874	$ 312,345	$ 94,504
Imprest cash	-	-	-
Treasurer's investments	7,180,888	3,608,747	1,102,428
Deposit with others	210,000	-	-
Receivables	-	472,702	120,799
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories and prepaids	-	168,096	29,098
Total Current Assets	7,993,762	4,561,890	1,346,829
Noncurrent assets:			
Capital assets:			
Structures and improvements	-	-	-
Equipment	-	9,991,831	4,536,008
Accumulated depreciation - equipment	-	(7,462,070)	(2,636,436)
Total capital assets (net of accumulated depreciation)	-	2,529,761	1,899,572
Total Noncurrent Assets	-	2,529,761	1,899,572
Total Assets	7,993,762	7,091,651	3,246,401
Liabilities			
Current liabilities:			
Accrued expenses payable	225,737	79,829	233,241
Due to other funds	-	5,084	36,305
Deferred revenue	-	-	-
Interest payable	-	-	20,266
Leases payable - current	-	-	197,912
Claims payable	2,301,339	-	-
Total Current Liabilities	2,527,076	84,913	487,724
Noncurrent liabilities:			
Leases payable	-	-	307,069
Claims payable	6,736,661		
Compensated absences payable	-	47,608	226,876
Total Noncurrent Liabilities:	6,736,661	47,608	533,945
Total Liabilities	9,263,737	132,521	1,021,669
Net Position			
Net investment in capital assets	-	2,529,761	1,374,325
Unrestricted	(1,269,975)	4,429,369	850,407
Total Net Position	$ (1,269,975)	$ 6,959,130	$ 2,224,732

COUNTY OF KINGS
COMBINING STATEMENT OF NET POSITION (Continued)
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	Health Self-Insurance	Public Works	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 283,250	$ 96,206	$ 1,389,179
Imprest cash	-	330	330
Treasurer's investments	3,277,972	989,269	16,159,304
Deposit with others	334,644	-	544,644
Receivables	12,218	12,578	618,297
Due from other funds	873,329	-	873,329
Due from other governments	23,701	-	23,701
Inventories and prepaids	-	-	197,194
Total Current Assets	4,805,114	1,098,383	19,805,978
Noncurrent assets:			
Capital assets:			
Structures and improvements	-	12,104	12,104
Equipment	-	473,368	15,001,207
Accumulated depreciation - equipment	-	(273,225)	(10,371,731)
Total capital assets (net of accumulated depreciation)	-	212,247	4,641,580
Total Noncurrent Assets	-	212,247	4,641,580
Total Assets	4,805,114	1,310,630	24,447,558
Liabilities			
Current liabilities:			
Accrued expenses payable	31,564	530,615	1,100,986
Due to other funds	-	48,761	90,150
Deferred revenue	-	9,367	9,367
Interest payable	-	-	20,266
Leases payable - current	-	1,193	199,105
Claims payable	-	-	2,301,339
Total Current Liabilities	31,564	589,936	3,721,213
Noncurrent liabilities:			
Leases payable	-	5,092	312,161
Claims payable	-	-	6,736,661
Compensated absences payable	-	352,452	626,936
Total Noncurrent Liabilities:	-	357,544	7,675,758
Total Liabilities	31,564	947,480	11,396,971
Net Position			
Net investment in capital assets	-	205,962	4,110,048
Unrestricted	4,773,550	157,188	8,940,539
Total Net Position	$ 4,773,550	$ 363,150	$ 13,050,587

COUNTY OF KINGS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Workers' Compensation Self-Insurance	Fleet Management	Information Services
Operating Revenues			
Charges for services	$ -	$ 2,690,477	$ 6,743,826
Miscellaneous revenues	46,500	157,723	55,177
Total Operating Revenues	46,500	2,848,200	6,799,003
Operating Expenses			
Salaries and employee benefits	(105,706)	419,588	3,393,083
Services and supplies	6,419	1,767,234	2,298,222
Administration	758,735	179,650	98,173
Depreciation	-	600,827	513,787
Total Operating Expenses	659,448	2,967,299	6,303,265
Operating Income (Loss)	(612,948)	(119,099)	495,738
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	-	443,325	-
Investment earnings	(31,235)	1,235	(4,588)
Interest expense	-	-	1,821
Sale of capital assets	-	120,063	-
Total Nonoperating Revenues (Expenses)	(31,235)	564,623	(2,767)
Income (Loss) Before Operating Transfers	(644,183)	445,524	492,971
Transfers In	1,000,000	-	-
Change in Net Position	355,817	445,524	492,971
Net Position, Beginning of Year	(1,625,792)	6,513,606	1,731,761
Net Position, End of Year	$ (1,269,975)	$ 6,959,130	$ 2,224,732

COUNTY OF KINGS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Health Self-Insurance	Public Works	Total
Operating Revenues			
Charges for services	$ -	$ 13,330,103	$ 22,764,406
Miscellaneous revenues	11,956,042	143,606	12,359,048
Total Operating Revenues	11,956,042	13,473,709	35,123,454
Operating Expenses			
Salaries and employee benefits	8,873,184	4,106,576	16,686,725
Services and supplies	1,297,392	9,151,502	14,520,769
Administration	-	109,222	1,145,780
Depreciation	-	21,804	1,136,418
Total Operating Expenses	10,170,576	13,389,104	33,489,692
Operating Income (Loss)	1,785,466	84,605	1,633,762
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	-	-	443,325
Investment earnings	13,965	(63,354)	(83,977)
Interest expense	-	(34,784)	(32,963)
Sale of capital assets	-	-	120,063
Total Nonoperating Revenues (Expenses)	13,965	(98,138)	446,448
Income (Loss) Before Operating Transfers	1,799,431	(13,533)	2,080,210
Transfers In	-	-	1,000,000
Change in Net Position	1,799,431	(13,533)	3,080,210
Net Position, Beginning of Year	2,974,119	376,683	9,970,377
Net Position, End of Year	$ 4,773,550	$ 363,150	$ 13,050,587

COUNTY OF KINGS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Workers' Compensation Self-Insurance	Fleet Management	Information Services
Cash Flows from Operating Activities			
Receipts from interfund services provided	$ 46,500	$ 2,604,993	$ 6,739,256
Payments to suppliers	(705,536)	(1,764,043)	(2,596,119)
Payments to and on behalf of employees	652,706	(414,284)	(3,425,455)
Payments for interfund services used	-	(179,650)	(98,173)
Total Cash Flows from Operating Activities	(6,330)	247,016	619,509
Cash Flows from Non-Capital Financing Activities			
Transfers in	1,000,000	-	-
Intergovernmental revenues	-	443,325	-
Total Cash Flows from Non-Capital Financing Activities	1,000,000	443,325	-
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	-	-	-
Interest expense	-	(16,655)	-
Total Cash Flows from Capital and Related Financing Activities	-	(16,655)	-
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	7,387,478	3,712,568	1,134,144
Purchase of investments	(7,804,001)	(4,110,941)	(1,662,142)
Investment earnings	(31,235)	1,235	(4,588)
Total Cash Flows from Investing Activities	(447,758)	(397,138)	(532,586)
Net Increase in Cash and Cash Equivalents	545,912	276,548	86,923
Cash and Cash Equivalents, Beginning of Year	56,962	35,797	7,581
Cash and Cash Equivalents, End of Year	$ 602,874	$ 312,345	$ 94,504

COUNTY OF KINGS
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Health Self-Insurance	Public Works	Total
Cash Flows from Operating Activities			
Receipts from interfund services provided	$ 11,932,963	$ 13,466,396	$ 34,790,108
Payments to suppliers	(1,308,557)	(9,090,690)	(15,464,945)
Payments to and on behalf of employees	(9,078,540)	(4,081,574)	(16,347,147)
Payments for interfund services used	-	(109,222)	(387,045)
Total Cash Flows from Operating Activities	1,545,866	184,910	2,590,971
Cash Flows from Non-Capital Financing Activities			
Transfers in	-	-	1,000,000
Intergovernmental revenues	-	-	443,325
Total Cash Flows from Non-Capital Financing Activities	-	-	1,443,325
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	-	-	-
Interest expense	-	(28,334)	(44,989)
Total Cash Flows from Capital and Related Financing Activities	-	(28,334)	(44,989)
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	3,372,277	1,017,730	16,624,197
Purchase of investments	(4,665,075)	(1,023,318)	(19,265,477)
Investment earnings	13,965	(63,354)	(83,977)
Total Cash Flows from Investing Activities	(1,278,833)	(68,942)	(2,725,257)
Net Increase in Cash and Cash Equivalents	267,033	87,634	1,264,050
Cash and Cash Equivalents, Beginning of Year	16,217	8,902	125,459
Cash and Cash Equivalents, End of Year	$ 283,250	$ 96,536	$ 1,389,509

COUNTY OF KINGS
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Workers' Compensation Self-Insurance	Fleet Management	Information Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ (612,948)	$ (119,099)	$ 495,738
Adjustments to reconcile operating income (loss):			
Depreciation	-	600,827	513,787
Sale of capital assets	-	120,063	-
(Increase) Decrease in receivables	-	(363,270)	(59,747)
Increase (Decrease) in deposits with others	-	-	-
(Increase) Decrease in due from other funds	-	-	-
(Increase) Decrease in due from other governments	-	-	-
(Increase) Decrease in inventories and prepaids	-	10,939	-
Increase (Decrease) in deferred revenue	-	-	-
Increase (Decrease) in accrued expenses payable	59,618	(7,817)	(63,757)
Increase (Decrease) in due to other funds	-	411	(2,154)
Increase (Decrease) in capital leases payable	-	-	(224,752)
Increase (Decrease) in compensated absences payable	-	4,962	(31,956)
Increase (Decrease) in interest payable	-	-	(7,650)
Increase (Decrease) in claims payable	547,000	-	-
Total adjustments	606,618	366,115	123,771
Net cash provided (used) by operating activities	$ (6,330)	$ 247,016	$ 619,509

COUNTY OF KINGS
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Health Self-Insurance	Public Works	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ 1,785,466	$ 84,605	$ 1,633,762
Adjustments to reconcile operating income (loss):			
Depreciation	-	21,804	1,136,418
Sale of capital assets	-	-	120,063
(Increase) Decrease in receivables	(6,573)	(6,835)	(436,425)
Increase (Decrease) in deposits with others	(205,356)	-	(205,356)
(Increase) Decrease in due from other funds	(17,206)	-	(17,206)
(Increase) Decrease in due from other governments	700	-	700
(Increase) Decrease in inventories and prepaids	-	-	10,939
Increase (Decrease) in deferred revenue	-	(478)	(478)
Increase (Decrease) in accrued expenses payable	(11,165)	55,233	32,112
Increase (Decrease) in due to other funds	-	1,227	(516)
Increase (Decrease) in capital leases payable	-	6,285	(218,467)
Increase (Decrease) in compensated absences payable	-	23,069	(3,925)
Increase (Decrease) in interest payable	-	-	(7,650)
Increase (Decrease) in claims payable	-	-	547,000
Total adjustments	(239,600)	100,305	957,209
Net cash provided (used) by operating activities	$ 1,545,866	$ 184,910	$ 2,590,971

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
WORKERS' COMPENSATION SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating Revenues			
Miscellaneous revenues	$ 77,520	$ 46,500	$ (31,020)
Total Operating Revenues	77,520	46,500	(31,020)
Operating Expenses			
Salaries and employee benefits	(702,065)	(105,706)	596,359
Services and supplies	90,720	6,419	84,301
Administration	688,865	758,735	(69,870)
Total Operating Expenses	77,520	659,448	610,790
Operating income (loss)	-	(612,948)	(612,948)
Nonoperating Revenues (Expenses)			
Investment earnings	-	(31,235)	(31,235)
Total Nonoperating Revenues (Expenses)	-	(31,235)	(31,235)
Income Before Operating Transfers	-	(644,183)	(644,183)
Transfers In	1,000,000	1,000,000	-
Change in Net Position	1,000,000	355,817	1,355,817
Net Position, Beginning of Year	(1,625,792)	(1,625,792)	-
Net Position, End of Year	$ (625,792)	$ (1,269,975)	$ 1,355,817

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FLEET MANAGEMENT INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating Revenues			
Charges for services	$ 2,883,462	$ 2,690,477	$ (192,985)
Miscellaneous revenues	220,000	157,723	(62,277)
Total Operating Revenues	3,103,462	2,848,200	(255,262)
Operating Expenses			
Salaries and employee benefits	448,504	419,588	28,916
Services and supplies	2,347,732	1,767,234	580,498
Administration	173,482	179,650	(6,168)
Depreciation	640,236	600,827	39,409
Total Operating Expenses	3,609,954	2,967,299	642,655
Operating Income (loss)	(506,492)	(119,099)	387,393
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	460,000	443,325	(16,675)
Investment earnings	35,000	1,235	(33,765)
Sale of capital assets	-	120,063	120,063
Total Nonoperating Revenues (Expenses)	495,000	564,623	69,623
Change in Net Position	(11,492)	445,524	457,016
Net Position, Beginning of Year	6,513,606	6,513,606	-
Net Position, End of Year	$ 6,502,114	$ 6,959,130	$ 457,016

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
INFORMATION SERVICES INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating Revenues			
Charges for services	$ 6,637,815	$ 6,743,826	$ 106,011
Miscellaneous revenues	50,790	55,177	4,387
Total Operating Revenues	6,688,605	6,799,003	110,398
Operating Expenses			
Salaries and employee benefits	3,616,178	3,393,083	223,095
Services and supplies	3,112,034	2,298,222	813,812
Administration	55,070	98,173	(43,103)
Depreciation	213,037	513,787	(300,750)
Total Operating Expenses	6,996,319	6,303,265	693,054
Operating Income (Loss)	(307,714)	495,738	803,452
Nonoperating Revenues (Expenses)			
Investment earnings	14,000	(4,588)	(18,588)
Interest expense	-	1,821	1,821
Total Nonoperating Revenues (Expenses)	14,000	(2,767)	(16,767)
Change in Net Position	(293,714)	492,971	786,685
Net Position, Beginning of Year	1,731,761	1,731,761	-
Net Position, End of Year	$ 1,438,047	$ 2,224,732	$ 786,685

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
HEALTH SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating Revenues			
Miscellaneous revenues	$ 11,617,916	$ 11,956,042	$ 338,126
Total Operating Revenues	11,617,916	11,956,042	338,126
Operating Expenses			
Salaries and employee benefits	10,500,000	8,873,184	1,626,816
Services and supplies	1,370,000	1,297,392	72,608
Total Operating Expenses	11,870,000	10,170,576	1,699,424
Operating Income (Loss)	(252,084)	1,785,466	2,037,550
Nonoperating Revenues (Expenses)			
Investment earnings	40,000	13,965	(26,035)
Total Nonoperating Revenues (Expenses)	40,000	13,965	(26,035)
Change in Net Position	(212,084)	1,799,431	2,011,515
Net Position, Beginning of Year	2,974,119	2,974,119	-
Net Position, End of Year	$ 2,762,035	$ 4,773,550	$ 2,011,515

COUNTY OF KINGS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET AND ACTUAL PUBLIC WORKS INTERNAL SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating Revenues			
Charges for services	$ 13,684,624	$ 13,330,103	$ (354,521)
Miscellaneous revenues	-	143,606	143,606
Total Operating Revenues	13,684,624	13,473,709	(210,915)
Operating Expenses			
Salaries and employee benefits	4,341,697	4,106,576	235,121
Services and supplies	9,267,436	9,151,502	115,934
Administration	112,281	109,222	3,059
Depreciation	11,780	21,804	(10,024)
Total Operating Expenses	13,733,194	13,389,104	344,090
Operating Income (Loss)	(48,570)	84,605	133,175
Nonoperating Revenues (Expenses)			
Investment earnings	-	(63,354)	(63,354)
Interest expense	-	(34,784)	(34,784)
Total Nonoperating Revenues (Expenses)	-	(98,138)	(98,138)
Change in Net Position	(48,570)	(13,533)	35,037
Net Position, Beginning of Year	376,683	376,683	-
Prior Period Adjustment	-	-	-
Net Position, End of Year	$ 328,113	$ 363,150	$ 35,037

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Indenture, the Facility Lease and the Site Lease are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2014 Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

"Additional Bonds" means the additional bonds authorized by a Supplemental Indenture that are authenticated and delivered by the Trustee under and pursuant to the Indenture.

"Additional Payments" means the additional payments payable by the County under and pursuant to the Facility Lease as summarized herein in paragraph (b) under the caption "THE FACILITY LEASE – Rental Payments – Additional Payments."

"Additional Project" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

"AGM" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Annual Debt Service" means, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Bond Year (together with the redemption premiums, if any, thereon).

"Assignment Agreement" means that certain Assignment Agreement, dated as of July 1, 2014, by and between the Authority and the Trustee, as it may from time to time be amended.

"Authority" means the California Statewide Communities Development Authority or its successors and assigns.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Average Annual Debt Service" means an amount equal to the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Base Rental Payment Date" means 15th day of the month preceding each Interest Payment Date.

"Base Rental Payments" means the aggregate base rental payments with interest components and principal components payable by the County under and pursuant to the Facility Lease, as summarized herein in paragraph (a) under the caption "THE FACILITY LEASE – Rental Payments – Base Rental Payments."

"Beneficial Owner" shall have the meaning set forth in the Continuing Disclosure Agreement.

"Bond Insurance Policy" means the Bond Insurance Policy, if any, issued by the applicable Insurer and guaranteeing, in whole or in part, the scheduled payment of principal of and interest on a Series of Bonds when due.

"Bonds" means the Series 2014 Bonds and all Additional Bonds.

"Bond Year" means the period from each June 1 to and including the following May 31 during the term of the Indenture.

"Business Day" means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the principal corporate trust office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

"Capitalized Interest Account" means the account by that name established pursuant to the Indenture.

"Certificate of Completion" means a Certificate of the County filed with the Trustee, stating that construction of the Project has been substantially completed and that all Construction Costs have been paid or provided for.

"Certificate," "Statement," "Written Request" and "Requisition" of the Authority or of the County means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Chair, Vice Chair, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Authority in writing to the Trustee, and with respect to the County means the County Administrative Officer, the Director of Finance, or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing Date" means July 9, 2014.

"Code" means the Internal Revenue Code of 1986, as amended.

"Construction Costs" means all costs of constructing the Project, including, but not limited to:

(1) all costs which the County shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of the Project;

(2) obligations of the County or others incurred for labor and materials (including obligations payable to the County or others for actual out-of-pocket expenses of the County or others) in connection with the construction, installation or improvements of the Project, including

reimbursement to the County or others for all advances and payments made in connection with the Project prior to or after delivery of the Bonds.

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of the Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the County for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of the Project; and

(5) any sums required to reimburse the County for advances made by the County for any of the above items or for any other costs incurred and for work done by the County which are properly chargeable to the construction, installation or improvement of the Project.

"Construction Fund" means the fund by that name established pursuant to the Indenture.

"Continuing Disclosure Agreement" means collectively, the Continuing Disclosure Agreement executed by the County at the time of the initial issuance of the Series 2014 Bonds, together with any Continuing Disclosure Agreement executed by the County at the time of the execution and delivery of any Additional Bonds, as originally executed and as each such Agreement may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance Fund" means the fund by that name established in accordance with the Indenture.

"Costs of Issuance" means all the costs of executing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds; rating agency fees; financial advisor fees; title insurance fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the Facility Lease of the Leased Property; any computer and other expenses incurred in connection with the Bonds; the fees and expenses of the Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Bonds, to the extent such fees and expenses are approved by the County.

"County" means the County of Kings, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

"Defeasance Securities" means any of the following:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations;
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA); and
- State and Local Government Series; and

(3) Obligations described in paragraph (7) of the definition of Permitted Investments.

"DTC" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds including any such successor appointed pursuant to the Indenture.

"Event of Default" means any occurrence or event specified in and defined by the Indenture.

"Expiry Date" means June 1, 2029.

"Facility Lease" means that certain Facility Lease, dated as of July 1, 2014, with respect to the Leased Property, by and between the County, as sublessee, and the Authority, as sublessor, as originally executed and as it may be amended from time to time.

"Financial Newspaper" means The Wall Street Journal or The Bond Buyer or, if neither such newspaper is being regularly published, any other newspaper or journal publishing financial news and selected by the County that is printed in the English language, is customarily published on each Business Day and is circulated in Los Angeles, California and New York, New York.

"Fiscal Year" means the fiscal year of the County which, as of the date of the Facility Lease, is the period from July 1 to and including the following June 30.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns.

"Hazardous Substances" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Leased Property or to persons on or about the Leased Property or (ii) cause the Leased Property to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic

Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Leased Property or the owners and/or occupants of property adjacent to or surrounding the Leased Property, or any other person coming upon the Leased Property or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"Indenture" means the Indenture by and among the Trustee, the County and the Authority, dated as of July 1, 2014, as originally executed and as it may from time to time be amended or supplemented in accordance with the Indenture.

"Insurance Consultant" means an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

"Insurance Policy" means the policy or policies of municipal bond insurance obtained by the County guaranteeing the scheduled payment of principal of and interest on the Series 2014 Bonds when due.

"Insurance Proceeds and Condemnation Awards Fund" means the fund by that name established in accordance with the Indenture.

"Insurer" means the issuer or issuers, if any, of a policy or policies of municipal bond insurance obtained by the County to insure the payment of the principal of or interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. The Insurer with respect to the Series 2014 Bonds is Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Interest Fund" means the fund by that name established in accordance with the Indenture.

"Interest Payment Date" means December 1, 2014 and each June 1, and December 1, thereafter.

"Interest Period" means each period from and including one Interest Payment Date to but excluding the next following Interest Payment Date, except that the initial Interest Period will be the period from and including the date of the initial delivery of the Series 2014 Bonds to but excluding December 1, 2014.

"Joint Powers Agreement" means the certain Amended and Restated Joint Exercise of Powers Agreement, dated June 1, 1988, relating to the formation of the Authority, among certain cities, counties and special districts in the State of California, including the County.

"Leased Property" means the real property and all the improvements thereon or to be located thereon described in the Indenture, and in the Site Lease and in the Facility Lease (as the same may be changed from time to time by Removal or Substitution, as defined in the Facility Lease).

"Lease Year" means the period from each July 1 to and including the following June 30 during the term of the Facility Lease; *provided* that the final Lease Year shall terminate on the Expiry Date.

"Mandatory Sinking Account Payment" means the principal amount of any Bond required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of the Indenture or any Supplemental Indenture.

"Mandatory Sinking Account Payment Date," if applicable, means June 1 of each year set forth in the Indenture and in any Supplemental Indenture.

"Maximum Annual Debt Service" means an amount equal to the largest Annual Debt Service for all future Bond Years beginning in the Bond Year in which the calculation is made.

"Moody's" means Moody's Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"Outstanding" when used as of any particular time with reference to Bonds, means all Bonds, including, but not limited to, the Bonds as described in the Indenture, except:

(1) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds which pursuant to the Indenture are not deemed outstanding;

(3) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(4) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered by the Trustee pursuant to the Indenture.

"Owner" means any person who shall be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Facility Lease, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) the Facility Lease, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Kings; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Authority and the County consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Leased Property by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Bonds, including that certain unrecorded Lease, dated May 23, 1995, between the Palo Verde Unified School District and the County.

"Permitted Investments" means any of the following to the extent then permitted by applicable laws and any investment policies of the County:

(1) Defeasance Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

— Export-Import Bank;
— Rural Economic Community Development Administration;
— U.S. Maritime Administration;
— Small Business Administration;
— U.S. Department of Housing & Urban Development (PHAs);
— Federal Housing Administration; and
— Federal Financing Bank.

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

— Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
— Obligations of the Resolution Funding Corporation (REFCORP);
— Senior debt obligations of the Federal Home Loan Bank System; and
— Senior debt obligations of other Government Sponsored Agencies approved by the Insurer.

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in the Indenture, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal Obligations rated in the top two rating categories or higher by both Moody's and S&P.

(9) Investment Agreements rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel);

(10) Any investment authorized by California Government Code Section 53601;

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(12) The Kings County Treasury Pool, managed by the Director of Finance of the County; and

(13) Other forms of investments rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel).

Any references to long-term rating categories in this definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in the Indenture, except for purposes of payment, registration, transfer, exchange and surrender of Bonds, means the corporate trust office of the Trustee in Los Angeles, California, or such other office specified by the Trustee.

"Principal Fund" means the fund by that name established in accordance with the Indenture.

"Principal Payment" means the principal amount of Bonds required to be paid on each Principal Payment Date.

"Principal Payment Date" means June 1 of each year, commencing June 1, 2016.

"Project" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with proceeds of the Bonds as described in the Indenture.

"Rebate Requirement" means the Rebate Requirement as defined in the Tax Certificate.

"Record Date" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established in accordance with the Indenture.

"Removal" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease as provided in the Facility Lease.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Payments.

"Representation Letter" means the Letter of Representations from the County and the Trustee to DTC, or any successor securities depository for the Bonds, in which the County and the Trustee make certain representations with respect to the Bonds, the payment with respect thereto and delivery of notices with respect thereto.

"Reserve Fund" means the fund by that name established in accordance with the Indenture.

"Reserve Fund Credit Facility" shall mean a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in the Reserve Fund in lieu of or in partial substitution for cash or securities on deposit therein; provided that the issuer or provider of any such Reserve Fund Credit Facility shall have, at the time of delivery thereof, unsecured debt obligations rated in at least the second highest rating category (without respect to any modifier) of S&P, Moody's or Fitch.

"Reserve Fund Requirement" means with respect to all Outstanding Bonds an amount equal to the lesser of (i) the maximum annual debt service attributable to the Outstanding Bonds or (ii) 125% of average annual debt service attributable to the Outstanding Bonds; *provided however*, that the Reserve Fund Requirement with respect to any Series of Bonds shall be the least of (i) or (ii) above, or an amount equal to, or derived by the addition of, 10% of the proceeds from the sale of such Series of Bonds to the Reserve Fund.

"Revenue Fund" shall have the meaning given to such term in the Indenture.

"Reserve Policy" means the AGM Municipal Bond Debt Service Reserve Insurance Policy with respect to the Series 2014 Bonds.

"Revenues" means all Base Rental Payments pursuant to the Facility Lease, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Series," when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Series 2014 Bonds" means the California Statewide Communities Development Authority Lease Revenue Bonds (Facilities Expansion Project), Series 2014.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

"Site Lease" means that certain Site Lease, dated as of July 1, 2014, with respect to the Leased Property, by and between the County, as lessor, and the Authority, as lessee, as originally executed and as it may be amended from time to time.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease, and the lease of substituted real property and improvements under the Facility Lease and under the Site Lease as provided in the Facility Lease.

"Supplemental Indenture" means an agreement amending or supplementing the terms of the Indenture entered into pursuant to the terms of the Indenture.

"Surplus Subaccount" means the account by that name established in accordance with the Indenture.

"Tax Certificate" means that Tax Certificate and Agreement, by and between the County and the Authority, executed at the time of execution and delivery of a Series of Bonds relating to the requirements of Section 148 of the Code, as such Tax Certificate and Agreement may be amended or supplemented.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trustee" means Wilmington Trust, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a principal corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture.

"Underwriter" means Citigroup Global Markets Inc., on its own behalf and as representative of Stifel, Nicolaus & Company, Incorporated.

THE INDENTURE

The Bonds

Transfer and Payment of Bonds; Exchange of Bonds. All Bonds may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of the Indenture, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be presented for exchange at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

Book-Entry Bonds. Notwithstanding any provision of the Indenture to the contrary, the transfer provisions of the Indenture do not apply if the ownership of the Bonds is in book-entry form.

(a) Except as provided in paragraph (d) below, the registered Owner of all of the Bonds shall be DTC, and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Notwithstanding anything to the contrary contained in the Indenture, payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date for the Bonds at the address indicated on the Record Date or special record date for Cede & Co. in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture or as otherwise provided in the Representation Letter.

(b) The Bonds shall be initially executed and delivered in the form of separate single fully registered Bonds in the amount of each separate stated maturity of the Bonds. Upon initial execution and delivery, the ownership of such Bonds shall be registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture in the name of Cede & Co., as nominee of DTC. The Trustee and the County shall treat DTC (or its nominee) as the sole and exclusive Owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Bonds, selecting the Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and neither the Trustee nor the County shall be affected by any notice to the contrary. Neither the Trustee nor the County shall have any responsibility or obligation to any person claiming a beneficial ownership interest in the Bonds under or through DTC, or any other person which is not shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture as being an Owner, with respect to (i) the accuracy of any records maintained by DTC; (ii) the payment by DTC of any amount of the principal, premium, if any, or interest on the Bonds; (iii) any notice which is permitted or required to be given to Owners under the Indenture or the selection by DTC of any person to receive payment in the event of a partial redemption of the Bonds; or (iv) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions of (d) below, no person other than DTC shall receive an executed Bond representing the right to receive principal, premium, if any and interest pursuant to the Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Indenture with respect to Record Dates, the term "Cede & Co." in the Indenture shall refer to such new nominee of DTC.

(c) In order to qualify the Bonds for DTC's book-entry system, the County and the Trustee will execute, countersign and deliver to DTC the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this section or in any other way impose upon the Trustee, the County or the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture.

(d) In the event (i) DTC, including any successor as securities depository for the Bonds, determines not to continue to act as securities depository for the Bonds, or (ii) the County determines that the incumbent securities depository shall no longer so act and delivers a written certificate to the Trustee to that effect, then the County will discontinue the book-entry system with the incumbent securities depository for the Bonds. If the County determines to replace the incumbent securities depository for the Bonds with another qualified securities depository, the County shall prepare or direct the preparation of a new single, separate fully registered Bond for the aggregate outstanding principal amount of Bonds of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the County, the Trustee and the successor securities depository for the Bonds as are not inconsistent with the terms of the Indenture. If the County fails to identify another qualified successor securities depository for the Bonds to replace the incumbent securities depository, then the Bonds shall no longer be restricted to being registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Bonds, or its nominee, shall designate. In such event the Trustee shall execute and deliver a sufficient quantity of Bonds as to carry out the transfers and exchanges in accordance with the Indenture. All such Bonds shall be in fully registered form in denominations authorized by the Indenture.

(e) Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest on such Bond and all notices with respect to such Bonds shall be made and given, respectively, as provided in the Representation Letter.

(f) In connection with any notice or other communication to be provided to Owners pursuant to the Indenture by the County or the Trustee with respect to any consent or other action to be taken by Owner, the County or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds, which books shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds on such books as provided in the Indenture. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Bonds or his agent duly authorized in writing.

Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will authenticate definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the Principal Corporate Trust Office of the Trustee, in exchange for such definitive Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds executed and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, payment date in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under this section and of the expenses which may be incurred by it under this section. Any Bond authenticated and delivered under the provisions of this section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture, and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the amount of Bonds which may be executed and delivered under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this section, in lieu of authenticating and delivering a new Bond for a Bond which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Bond, the Trustee may make payment of such Bond to the Owner thereof on or after the maturity date.

Execution and Delivery of Additional Bonds. The County, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Owners but with the consent of the Insurer, provide for the execution and delivery of Additional Bonds payable from additional Revenues. The Trustee may authenticate and deliver to or upon the request of the County such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the County or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the County with the provisions of the Indenture and subject to the following specific conditions, which are made conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the County nor the Authority shall be in default under the Indenture or any Supplemental Indenture or under the Facility Lease or the Site Lease;

(b) Said Supplemental Indenture shall provide that from such proceeds or other sources an amount shall be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement;

(c) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; *provided* that (i) each maturity date shall fall upon June 1, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(d) The interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(e) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture;

(f) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due *provided, however*, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by the Indenture; and

Any Additional Bonds shall be on a parity with the Bonds and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Bonds executed and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

No such issuance of Additional Bonds may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Reserve Fund is fully funded at the Reserve Fund Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

The County shall cause to be given to the State Public Works Board not less than 30 days prior written notice of any execution and delivery of Additional Bonds. The County shall cause to be given to each rating agency rating the Bonds, and the Insurer, notice of any execution and delivery of Additional Bonds.

Proceedings for Authorization of Additional Bonds. Whenever the County and the Authority shall determine to authorize the execution and delivery of any Additional Bonds pursuant to the Indenture, the County, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Owners of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be executed and delivered, the County and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by the Indenture and such other opinions and certificates as may be appropriate) setting forth (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Site Lease and the Facility Lease required by the Indenture; (2) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the County and the Authority; (3) that said amendments to the Site Lease and the Facility Lease and the Supplemental Indenture, when duly executed by the County and the Authority, will be valid and binding obligations of the County and the Authority; (4) that said amendments to the Site Lease and the Facility Lease have been duly authorized, executed and delivered;

and (5) that the amendments to the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest on by Outstanding Bonds;

(b) A Certificate of the County that the requirements of the Indenture have been met, including a Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Additional Project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee (i) in the Construction Fund, in an amount reasonably expected to be sufficient to provide for the Construction Costs of such Additional Project, and (ii) in the Capitalized Interest Account, in an amount sufficient to pay interest on the Additional Bonds for the period of time from their date of issuance until 6 months following the expected delivery date of the Certificate of Completion with respect to such Additional Project;

(c) Certified copies of the resolutions of the County and the Authority, authorizing the execution of the amendments to the Site Lease and Facility Lease required by the Indenture;

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and Facility Lease required by the Indenture;

(e) Certified copies of the policies of insurance required by the Facility Lease or certificates thereof, which shall evidence that the amounts of the insurance required under the Facility Lease have been increased, if necessary, to cover the amount of such Additional Bonds; and

(f) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, the Trustee shall authenticate and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the request of, the County.

Proceeds of Bonds

Construction Fund.

(a) The Trustee shall hold the moneys in the Construction Fund and shall disburse such moneys therefrom to pay Construction Costs. Such disbursements shall be made from time to time upon receipt of a Written Request of the County on behalf of the Authority which:

(i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred, is a Construction Cost and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;

(ii) specifies in reasonable detail the nature of the obligation; and

(iii) is accompanied by a bill or statement of account for each obligation.

(b) If at any time there are insufficient moneys in the Costs of Issuance Fund to disburse moneys in accordance with the Indenture, the Trustee shall disburse from the Construction Fund, subject to this section, such additional amounts as are necessary to pay such Costs of Issuance.

(c) Upon the delivery to the Trustee of a Certificate of Completion, the Trustee shall transfer any remaining balance of money in the Construction Fund, first, to the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, second, to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Fund Requirement, and third, the remainder to a separate subaccount within the Principal Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount." The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Bonds) as directed in writing by the County to pay principal on the Series of Bonds from which such moneys were derived as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of such Series of Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of such Series of Bonds. The moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on such Outstanding Series of Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest on the Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Reserve Fund.

(a) There is established in trust under the Indenture a special fund designated as the "Reserve Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. Moneys in the Reserve Fund shall be in the amount of the Reserve Fund Requirement and shall be used and withdrawn by the Trustee solely for the purposes set forth in the Indenture.

(i) If, on any Interest Payment Date (or on any earlier date as specified in a Reserve Fund Credit Facility or Reserve Fund investment), the amount on deposit in the Interest Fund is insufficient to pay the interest due with respect to the Bonds on such Interest Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Interest Fund an amount sufficient to make up such deficiency.

(ii) If, on any Principal Payment Date or any Mandatory Sinking Account Payment Date (or on any earlier date as specified in a Reserve Fund Credit Facility or Reserve Fund investment), the amount on deposit in the Principal Fund is insufficient to pay the principal due with respect to the Bonds on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Principal Fund an amount sufficient to make up such deficiency.

(iii) Monies on deposit in the Reserve Fund shall be withdrawn and transferred by the Trustee to be applied for the final payment on the Bonds.

In the event of any withdrawal or transfer from the Reserve Fund, the Trustee shall, within five days thereafter, provide written notice to the County of the amount and the date of such transfer. If at any time the balance in the Reserve Fund shall be reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter payable by the County under the Facility Lease and not needed to pay the interest and principal components of Base Rental Payments payable by the County under the Facility Lease to the Owners on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking

Account Payment Date shall be used to increase the balance in the Reserve Fund to the Reserve Fund Requirement. If after the payment of principal and interest on any Interest Payment Date the balance in the Reserve Fund shall be in excess of the Reserve Fund Requirement the Trustee shall transfer such excess to the Revenue Fund. At the termination of both Facility Lease in accordance with their respective terms, any balance remaining in the Reserve Fund shall be released and may be transferred to such other fund or account of the County, or otherwise used by the County for any other lawful purposes, as the County may direct in writing. For purposes of determining the amount on deposit in the Reserve Fund, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment.

(b) At the option of the County, one or more Reserve Fund Credit Facilities may be substituted for the funds held by the Trustee in the Reserve Fund such that the amount available to be drawn under such Reserve Fund Credit Facilities together with funds remaining in the Reserve Fund satisfies the Reserve Fund Requirement.

If the County exercises its option to substitute a Reserve Fund Credit Facility for all or a portion of the moneys held by the Trustee in the Reserve Fund, then such moneys, on or after the date that the Reserve Fund Credit Facility becomes effective, at the option of the County, shall be transferred (A) to the Revenue Fund and on each applicable Principal Payment Date a *pro rata* portion thereof shall be transferred to the Principal Fund and used to pay a portion of the principal of the Bonds due on such Principal Payment Date, or (B) to a construction fund to be held by the County and used for capital projects of the County in accordance with the Tax Certificate. Neither the County nor the Trustee may invest such amounts transferred so as to produce a yield greater than the yield permitted under the Tax Certificate. In the event any Reserve Fund Credit Facility is scheduled to terminate prior to the final maturity date of the Bonds and such Reserve Fund Credit Facility is not extended, renewed or replaced with another Reserve Fund Credit Facility or with cash or Permitted Investments in the amount of such Reserve Fund Credit Facility, the Trustee shall draw on or make a claim under such Reserve Fund Credit Facility ten days prior to the date of such expiration in an amount equal to the lesser of (i) the maximum amount available thereunder or (ii) the Reserve Fund Requirement, in either case for deposit into the Reserve Fund.

In the event a Reserve Fund Credit Facility is substituted for all or a portion of the moneys held by the Trustee in the Reserve Fund pursuant to the terms of the Indenture, then, notwithstanding any other provision of the Indenture, (1) the Trustee shall draw upon the Reserve Fund Credit Facility for amounts which the terms of the Indenture require to be transferred from the Reserve Fund; *provided* that the Trustee shall first draw upon any cash or Permitted Investments on deposit in the Reserve Fund before drawing upon any Reserve Fund Credit Facility, and thereafter shall draw upon all such Reserve Fund Credit Facilities on a *pro rata* basis, and (2) amounts required by the terms of the Indenture to be deposited or transferred to the Reserve Fund (a) in the event the Reserve Fund Credit Facility has been drawn upon, shall be first paid to the provider of such Reserve Fund Credit Facility if the County has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount then available under the Reserve Fund Credit Facility equal to such payment and (b) to the extent all such draws on Reserve Fund Credit Facilities have been paid, then, second, shall be transferred or deposited to the Reserve Fund in amount such that after giving effect to the deposit the amount on deposit in the Reserve Fund is equal to the Reserve Fund Requirement.

The County shall be permitted to make use of a Reserve Fund Credit Facility pursuant to the Indenture at any time.

For purposes of this subsection (b), the term "substitution" shall include such initial funding of the Reserve Fund Requirement by means of a Reserve Fund Credit Facility instead of by deposit of moneys, and shall not be read to mean that the County must first make an initial cash deposit in the Reserve Fund before invoking this subsection (b) and satisfying the Reserve Fund Requirement by securing and implementing a Reserve Fund Credit Facility.

Provisions Relating to Reserve Policy. So long as any Series 2014 Bonds remain outstanding and the Insurer shall not have defaulted under the Bond Insurance Policy and the Reserve Policy (or the Insurer is owed any amounts in connection therewith, the provisions of this section shall govern with respect to the Reserve Policy, notwithstanding anything to the contrary set forth in the Indenture.

(a) The Authority and the County shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by AGM and shall pay interest thereon from the date of payment by AGM at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2014 Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as AGM shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created under the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Indenture, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by AGM, with the same force and effect as if the Authority or County had specifically designated such extra sums to be so applied and AGM had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created under the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to AGM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to AGM on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Bonds (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the Reserve Fund apportionable *pro rata* to the Series 2014 Bonds shall be transferred to the Revenue Fund for payment of debt service on Series 2014 Bonds, before any drawing may be made on the Reserve Policy, and all cash and investments in the Reserve Fund apportionable *pro rata* to the related Series of Bonds shall be transferred to the Revenue Fund for payment of debt service on such related Series of Bonds, before any drawing may be made on any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) If the Authority and the County shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) above, AGM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Series 2014 Bonds or (ii) remedies which would adversely affect owners of the Series 2014 Bonds.

(c) The Indenture shall not be discharged until all Policy Costs owing to AGM shall have been paid in full. The Authority's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

(d) The Authority shall include any Policy Costs then due and owing AGM in the calculation of the additional bonds test and the rate covenant in the Indenture.

(e) The Indenture shall require the Trustee to ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of subparagraph (a) above and to provide notice to AGM in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Series 2014 Bonds. Where deposits are required to be made by the Authority with the Trustee to the Revenue Fund for the Series 2014 Bonds more often than semi-annually, the Trustee shall be instructed to give notice to AGM of any failure of the Authority to make timely payment in full of such deposits within two business days of the date due.

(f) The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Fund, if any. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Series 2014 Bonds and any parity bonds issued under the Indenture and secured by the Reserve Fund.

Cost of Issuance Fund. There is established in trust under the Indenture a special fund designated as the "Cost of Issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Bonds, upon a Written Request of the County on behalf of the Authority. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before 6 months after the issuance of any Series of Bonds, the Trustee shall transfer any amounts then remaining in the Cost of Issuance Fund to the Reserve Fund to the extent the amount on deposit therein is less than the Reserve Fund Requirement, then to the Construction Fund.

Revenues

Pledge of Revenues; Revenue Fund.

(a) There is established a special fund designated as the "Revenue Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The County, pursuant to the Indenture, irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth in the Indenture, and in and to the Revenues, which shall be used for the punctual payment of the interest and principal of the Bonds and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. It is the intent of the parties to the Indenture that the Authority shall not have any right, title, in or to the Revenues. In the event, however, that it should be determined that the Authority has any right, title or interest in or to the Revenues, then the Authority, pursuant to the Indenture, irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal of the Bonds. These pledges shall constitute a first and exclusive lien on the funds established under the Indenture and the Revenues in accordance with the terms of the Indenture subject in all events to the power of the County and the Authority to cause the execution and delivery of Additional Bonds pursuant to the Indenture which shall be on a parity with the Bonds Outstanding.

(b) All Revenues shall be paid directly by the County to the Trustee, and if received by the Authority at any time shall be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues and the proceeds of rental interruption insurance, if any, shall be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee, pursuant to the Indenture, agrees to establish and maintain for the benefit of the Owners until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding; *provided, however*, and notwithstanding the foregoing, if the Trustee receives Revenues in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture, and if the amount then in the Reserve Fund is at least equal to the Reserve Fund Requirement and there exists no Event of Default under the Indenture, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the County, to make any regular periodic payment due to provider of a Reserve Fund Credit Facility or a Reserve Fund investment which provides for such payments, if any, or for any other purpose.

Deposit of Revenues. Except as otherwise provided in this section, the Trustee shall deposit the amounts in the Revenue Fund at the time and in the priority and manner provided in the Indenture in the following respective funds, each of which the Trustee, pursuant to the Indenture, agrees to establish and maintain until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding, and the moneys in each of such funds shall be disbursed only for the purposes and uses authorized in the Indenture. The Trustee shall establish and maintain the Capitalized Interest Account within the Interest Fund until the date all amounts are transferred therefrom in accordance with paragraph (a) below.

(a) **Interest Fund and Capitalized Interest Account.** The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund a sufficient amount of money such that the aggregate of amounts therein equal the interest coming due on such Interest Payment Date; *provided*, *however*, that on each Interest Payment Date occurring on or before the later of the date indicated in the Indenture or the delivery to the Trustee of the Certificate of Completion, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Fund, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Fund to the Interest Fund. Moneys in the Interest Fund shall be used by the Trustee for the purpose of paying the interest on the Bonds when due and payable. Upon the later of the date specified in the Indenture, or the delivery to the Trustee of the Certificate of Completion, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Interest Fund.

(b) **Principal Fund.** The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund a sufficient amount of money such that the aggregate of amounts therein equal the principal coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. Monies in the Principal Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal of the Bonds when due and payable at maturity or upon earlier redemption from Mandatory Sinking Account Payments.

(c) **Redemption Fund.** The Trustee, on the redemption date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facility Lease, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Redemption Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest of the Bonds to be prepaid.

Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as provided in the Indenture, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease, the County and the Authority shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with the Facility Lease. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Authority, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by the Indenture. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to the Indenture; *provided*, that if the County elects to so prepay the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision in the Indenture, the County shall only prepay less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the optional redemption of Outstanding Bonds in the manner provided in the Indenture.

Title Insurance. Proceeds of any policy of title insurance received by the County, the Authority or the Trustee in respect of the Leased Property shall be applied and disbursed by the County, the Authority or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Rental Payments payable by the County under the Facility Lease, such proceeds shall be deposited first in the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, then in the Reserve Fund to the extent that the amount therein is less than the Reserve Fund Requirement, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Rental Payments payable by the County under the Facility Lease, then the County, the Authority or the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the optional redemption of Bonds in the manner provided in the Indenture.

Additional Payments. The Trustee shall transfer the Additional Payments constituting the Authority's annual fee, promptly upon receipt thereof from the County, to the Authority.

Particular Covenants

Compliance with Indenture. The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and neither of the County or the Authority will suffer or permit any default by them to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Facility Lease and Site Lease. Subject to the Indenture as summarized herein under the heading "THE INDENTURE – Default and Limitations of Liability – No Liability by the Authority to the Owners," the County and the Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Facility Lease and Site Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Facility Lease and Site Lease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Trustee, the County and the Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County will keep the Leased Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances (with respect to the Leased Property, as such term is defined in the Facility Lease, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; *provided, however*, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture to defend the validity of the Indenture and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, neither the County nor the Authority will create or suffer to be created any pledge of or lien on the Revenues other than as provided or permitted under the Indenture.

Prosecution and Defense of Suits. The County will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Revenues, and such accounting records shall be available for inspection by the County or the Authority at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the County; *provided* that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Recordation and Filing. The Authority will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Facility Lease, Site Lease, Assignment Agreement and the Indenture at all times as a security interest in the Revenues, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Authority will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Facility Lease, Site Lease, Assignment Agreement and the Indenture.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the County and the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture, the Assignment Agreement, Facility Lease or Site Lease.

Rebate Fund; Tax Covenants.

(a) In addition to the other funds and accounts created pursuant to the Indenture, the Trustee shall establish and maintain a fund, separate from any other fund or account established and maintained under the Indenture, designated the "Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts as may be prescribed by the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund pursuant to a Written Request of the County. Except as provided below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as such term is defined in the Tax Certificate), for payment to the federal government of the United States of America, and neither the County, the Authority, the Trustee nor the Owner of any Bond shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this section and by the Tax Certificate (which is incorporated by reference in the Indenture). The Trustee shall be deemed conclusively to have complied with the provisions of this section and the Tax Certificate if it follows the Written Request of the County, including supplying all necessary information that is available to it in the manner provided in the Tax Certificate, and except as otherwise expressly provided in the Indenture, shall not be required to take any actions under the Indenture in the absence of written directions by the County, and shall have no liability or responsibility to enforce compliance by the County with the terms of the Tax Certificate or this section. The Trustee agrees to comply with all Written Requests of the County given in accordance with the Tax Certificate. The County shall provide the Trustee with written evidence that the computation of the Rebate Requirement has been made. Any funds remaining in the Rebate Fund after payment or prepayment of all of the Bonds and payment and satisfaction of any Rebate Requirement, shall, after payment of all fees and expenses of the Trustee, be withdrawn and remitted to the County.

(b) Notwithstanding any other provision of the Indenture, including, in particular, as summarized herein under the heading "THE INDENTURE – Defeasance," the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this section and the Tax Certificate shall survive the defeasance or payment in full of the Bonds. The Authority specifically covenants to comply with the provisions and procedures of the Tax Certificate.

(c) Notwithstanding any provisions of this section, if the Authority shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee, the Authority and the County may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding the Indenture as summarized herein under the heading "THE INDENTURE – Default and Limitations of Liability," the covenants under the Indenture shall be deemed to be modified to that extent.

(d) The provisions of this section shall not apply to any Series of Bonds which the Authority shall certify to the Trustee is not intended to comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal income tax purposes.

Continuing Disclosure. The County, pursuant to the Indenture, covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this section; *provided*, that the Trustee shall only be required to take an action under this section to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

Default and Limitations of Liability

Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the County in the observance of any of the covenants, agreements or conditions on its part in the Indenture contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County and the Authority by the Trustee, or to the County, the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, that if such default can be remedied but not within such 30-day period and if the County has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the County shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Facility Lease.

Action on Default. In each and every case during the continuance of an Event of Default (subject to the Indenture), the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (subject to the provisions of the Indenture) shall be entitled, upon notice in writing to the County and the Authority to exercise any of the remedies granted to the County under the Facility Lease and to the Authority under the Facility Lease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in subparagraphs (a), (b) or (c) under the caption "Other Remedies of the Trustee" below.

Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to the Indenture and the Assignment Agreement) under the Indenture or the Facility Lease, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the County under the Facility Lease.

Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County, the Authority or any director, officer or employee thereof, and to compel the County or the Authority or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Indenture to require the County and the Authority to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the County and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Authority to the Owners. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Site Lease, the Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under the Facility Lease.

The Trustee will acknowledge that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the County to the Trustee pursuant to the Facility Lease, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Facility Lease shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then the Trustee shall give notice to the County in accordance with the provisions summarized herein under the caption "DEFAULT AND LIMITATIONS OF LIABILITY – Action on Default," to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the County, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Except as expressly provided in the Indenture, the Authority shall have no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Facility Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the County to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or in the Indenture, the County shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Revenues by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the Trustee to the Owners. Except as expressly provided in the Indenture, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease or Site Lease or in the Indenture.

Application of Amounts After Default. Notwithstanding anything to the contrary contained in the Indenture, after a default by the County, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to the Facility Lease, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Facility Lease, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the Indenture as summarized herein under the heading "THE INDENTURE – The Trustee - Compensation and Indemnification of the Trustee;" and

(b) to the payment of all amounts then due as interest with respect to the Bonds, and thereafter to the payment of all amounts due as principal with respect to the Bonds, in respect of which or for the benefit of which, money has been collected (other than Bonds which have matured or otherwise become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Bonds.

Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners of Bonds. Nothing in the Indenture contained shall, however, affect or impair the right of any Owner to enforce the payment of the principal of or the redemption price of and the interest of any Bond at and after the maturity or earlier redemption.

The Trustee

Employment of the Trustee. The County and the Authority appoint and employ the Trustee to receive, deposit and disburse the Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the Indenture; all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to in the Indenture and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Duties, Removal and Resignation of the Trustee. The County and the Authority may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars

($75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the County, the Authority and the Insurer and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of the Indenture. Upon receiving such notice of resignation, the County and the Authority shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the County and the Authority do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its advances and expenditures under the Indenture, including but not limited to payments due any provider of a Reserve Fund Credit Facility or Reserve Fund investment which provides for such payments, advances to and fees and expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Indenture; *provided, however*, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Indenture or under the Facility Lease (except that such compensation or reimbursement may be made from the Cost of Issuance Fund held by the County to the extent provided in the Indenture). The Trustee may take whatever legal actions are lawfully available to it directly against the County or the Authority. The rights of the Trustee under the Indenture are in addition to the rights granted to the Trustee pursuant to the Facility Lease.

Except as otherwise expressly provided in the Indenture, no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers under the Indenture.

The County, pursuant to the Indenture, covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or lease of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of the Indenture or the resignation or removal of the Trustee.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners of the Bonds pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee, against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the County or the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith. If requested by the County, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

The Trustee shall not be responsible for the sufficiency or adequacy of the Bonds, the Facility Lease, the Site Lease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Bonds or of the title to or value of the Leased Property.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default under the Indenture or an Event of Default under the Indenture, except failure of any of the payments to be made to the Trustee required to be made under the Indenture unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Authority or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or the Authority, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it under the Indenture by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established under the Indenture, except only for its own willful misconduct or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for in the Indenture) in aggregate principal amount of the Bonds at the time Outstanding relating to the exercise of any right or remedy available to the Trustee under the Indenture.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease, the Site Lease or the Indenture for the existence, furnishing or use of the Property.

Every provision of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of the Indenture, including without limitation, as summarized under this caption "The Trustee."

In acting as Trustee under the Indenture, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the County and the Authority, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Indenture for payment, except as otherwise specifically provided in the Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The recitals of facts, covenants and agreements in the Indenture and in the Bonds shall be taken as statements, covenants and agreements of the County or the Authority, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

Amendment or Supplement to the Indenture

Amendment or Supplement. The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee under the Indenture may be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owner of each Bond so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Indenture or supplement to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) modify any provision of the Indenture expressly recognizing or granting rights in or to the Insurer in any manner which affects the rights of the Insurer under the Indenture without its prior written assent thereto, or (5) amend this section without the prior written consent of the Insurer and the Owners of all Bonds then Outstanding.

The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee under the Indenture may also be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed in the Indenture by the County or the Authority, or to surrender any right or power reserved in the Indenture to or conferred in the Indenture on the County or the Authority, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for additional or substitute Leased Property as may be requested from time to time by the County in accordance with the Facility Lease; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the County or the Authority may deem desirable or necessary and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Owners; or

(d) to provide for the execution and delivery of Additional Bonds in accordance with the Indenture; or

(e) for any other reason, *provided* such amendment or supplement does not materially adversely affect the interests of the Owners or the Insurer, *provided further* that the County, the Authority and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this paragraph (e) have been met with respect to such amendment or supplement.

Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Indenture without the prior written consent of the Insurer.

In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

Disqualified Bonds. Bonds actually known by the Trustee to be owned or held by or for the account of the County (but excluding Bonds held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and shall not be entitled to consent to or take any other action provided in the Indenture, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Indenture shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this section.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Indenture as summarized herein under the heading "THE INDENTURE - Amendment or Supplement to the Indenture," the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of such Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall receive an Opinion of Counsel advising that new Bonds modified to conform to such action are necessary, modified Bonds shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent. The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by such person, *provided* that due notation thereof is made on such Bonds.

Opinion of Counsel. In executing any amendment or supplement to the Indenture, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all conditions precedent for the execution of an amendment or supplement to the Indenture have been satisfied.

Defeasance

Discharge of Bonds and Indenture. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal represented thereby at the times and in the manner stipulated in the Indenture and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Revenues as provided in the Indenture, and all agreements and covenants of the County, the Authority and the Trustee to such Owners under the Indenture shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this paragraph (b) if (i) in case said Bonds are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event any of said Bonds are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to the Indenture, a notice to the Owners of such Bonds and to the securities depositories and information services specified in the Indenture that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this section and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this paragraph (b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; *provided* that Defeasance Securities deposited with the Trustee pursuant to this paragraph (b) may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the Bonds from federal income taxes, and *provided further* that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this section, sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due with respect to said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this section shall preclude redemptions pursuant to the Indenture.

Any release under this subsection (b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by the Indenture created and the performance of its powers and duties under the Indenture; *provided however*, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to the Indenture as summarized herein under the heading "THE INDENTURE - Defeasance."

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Bonds as provided in this section, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest on, such Bonds. Notwithstanding the discharge and satisfaction of the Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Facility Lease, but only from amounts deposited pursuant to subsection (a) above and from no other source.

(d) Notwithstanding anything in this section to the contrary, in the event that the principal, interest, or both due on the Bonds shall be paid by the Insurer pursuant to the Bond Insurance Policy, the Bonds shall not be considered paid by the County or the Authority under the Indenture, and all covenants, agreements and other obligations of the Authority and the County to the benefit of the Owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights of the Owners.

Unclaimed Moneys. Anything contained in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of, premium, if any, and interest on, any of the Bonds which remain unclaimed for two years after the date when the payments on such Bonds have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the principal of, premium, if any, and interest on, such Bonds have become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the principal of, premium, if any, and interest on, such Bonds; *provided, however*, that before being required to make any such payment to the County, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the County within 30 days.

Provisions Relating To Bond Insurance

General Provisions Relating to Bond Insurance. So long as any Series 2014 Bonds remain outstanding and the Insurer shall not have defaulted under the Bond Insurance Policy (or any amounts are owed to the Bond Insurer), the provisions of the Indenture shall govern, notwithstanding anything to the contrary set forth in the Indenture, or individually in the appropriate sections:

(a) The Insurer shall be deemed to be the sole holder of the Series 2014 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2014 Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Remedies granted to the Owners shall expressly include mandamus.

(b) The security for the Series 2014 Bonds shall include a pledge of any agreement with any underlying obligor that is a source of payment for the Series 2014 Bonds and a default under any such agreement shall constitute an Event of Default under the Indenture.

(c) If acceleration is permitted under the Indenture, the maturity of Series 2014 Bonds shall not be accelerated without the consent of the Insurer and in the event the maturity of the Series 2014 Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Series 2014 Bonds shall be fully discharged.

(d) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(e) Any amendment, supplement, modification to, or waiver of, the Indenture, the Facility Lease or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Owners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(f) The rights granted to the Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

(g) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) Defeasance Securities as defined in the Indenture provided such securities are eligible for defeasance under then existing criteria of S & P, shall be used to effect defeasance of the Series 2014 Bonds unless the Insurer otherwise approves.

(h) To accomplish defeasance, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, Trustee and Insurer. The Insurer shall be provided drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

(i) Series 2014 Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(j) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the Series 2014 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(k) Each of the Authority and Trustee covenant and agree to take such action as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

Claims Upon the Insurance Policy and Payments by and to the Insurer.

(a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2014 Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2014 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2014 Bonds and the amount required to pay principal of the Series 2014 Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal on Series 2014 Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2014 Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement bond shall have no effect on the amount of principal or interest payable by the Authority on any Series 2014 Bond or the subrogation rights of the Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2014 Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to in the Indenture as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Series 2014 Bonds under the sections of the Indenture regarding payment of Series 2014 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary set forth in the Indenture, the Authority agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2014 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority will covenant and agree under the Indenture that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with debt service due on the Series 2014 Bonds.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Interest Payment Date shall promptly be remitted to the Insurer.

(f) The Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2014 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Authority to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(g) The Authority or County (an in the case of the County, subject to abatement under the Facility Lease) shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(h) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Series 2014 Bonds and amounts required to restore the Reserve Fund to the Debt Service Reserve Requirement.

(i) The Insurer shall be entitled to pay principal or interest on the Series 2014 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the Series 2014 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(j) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Series 2014 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the County, the Authority, the Trustee, the Insurer and the Owners, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the County or the Authority shall be for the sole and exclusive benefit of the County, the Authority, the Trustee, the Insurer and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever any of the County, the Authority, or the Trustee or any officer thereof is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the County, the Authority, or the Trustee or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the County, the Authority, or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of the Indenture.

Any declaration, consent, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the County, the Authority or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer, employee or agent of the County, the Authority or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of, premium, if any, and interest on, the Bonds, but nothing contained in the Indenture shall relieve any member, officer, employee or agent of the County from the performance of any official duty provided by any applicable provisions of law or by the Facility Lease, the Site Lease or the Indenture.

Acquisition of Bonds by County. All Bonds acquired by the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Content of Certificates. Every Certificate of the County or Authority with respect to compliance with any agreement, condition, covenant or term contained in the Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions in the Indenture relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the County or the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the County upon a representation by an officer or officers of the County, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Publication for Successive Weeks. Any publication required to be made under the Indenture for two successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

Funds. Any fund required to be established and maintained under the Indenture by the County or the Trustee may be established and maintained in the accounting records of the County or the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture.

The County and the Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; *provided, however*, that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

Investments. Any moneys held by the County in the funds and accounts established under the Indenture shall be invested only in Permitted Investments. Any moneys held by the Trustee in the funds and accounts established under the Indenture shall be invested by the Trustee upon the written request of the County Treasurer only in Permitted Investments. In the absence of such direction, moneys shall be invested by the Trustee solely in Permitted Investments set forth in clause (6). The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this section. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts (other than the Reserve Fund and the Rebate Fund) shall be retained therein. For purposes of determining the amount on deposit in any fund or account under the Indenture, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee under the Indenture.

California Law. The Indenture shall be construed and governed in accordance with the laws of the State of California.

Effective Date. The Indenture shall become effective upon its execution and delivery.

THE FACILITY LEASE

The Leased Property

Lease of the Leased Property. The Authority leases to the County, and the County rents and hires from the Authority, the Leased Property on the conditions and terms set forth in the Facility Lease. The County, pursuant to the Facility Lease, agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated by the Facility Lease and so as to permit the Authority to carry out its agreements and covenants contained in the Facility Lease and in the Indenture, and the County further agrees and covenants that during the term of the Facility Lease that it will not abandon or vacate the Leased Property.

Quiet Enjoyment. The parties to the Facility Lease mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Facility Lease and is not in default under the Facility Lease, shall at all times during the term of the Facility Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale. The County and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Bonds as contemplated by the Facility Lease. The County and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, *provided* that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Authority under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Facility Lease, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Liens. In the event the County shall at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Substitution or Removal of Leased Property.

(a) The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Site Lease.

(b) No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Authority and the Trustee the following:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the

remaining term of the Facility Lease; and (C) stating that the Substituted Property is of approximately the same degree and essentiality to the County as the portion of the Leased Property for which it is being substituted;

(3) An Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2014 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(6) Any Substitution of Removal shall be subject to the prior written consent of AGM, which consent shall not be unreasonably withheld;

(7) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(8) Evidence that the County has complied with the covenants contained in clauses (a) and (b) of the section entitled "Insurance" of the Facility Lease with respect to the Substituted Property.

Term of the Facility Lease

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid and all Bonds shall not be fully paid and retired, or if the rental payable under the Facility Lease (and any Additional Payments) shall have been abated at any time and for any reason, then the term of the Facility Lease shall be extended until ten days after the rental payable under the Facility Lease shall be fully paid and all Bonds shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond June 1, 2052. If prior to the Expiry Date, the rental payable under (and any Additional Payments) the Facility Lease shall be fully paid and all Bonds shall have been fully paid, or deemed fully paid, in accordance with the Indenture, the term of the Facility Lease shall end ten days thereafter or ten days after written notice by the County to the Authority to the effect that the rental payable under the Facility Lease shall be fully paid and all Bonds have been fully paid, whichever is earlier, and the Facility Lease shall thereupon terminate.

Use of Proceeds; Tax Covenants

Use of Proceeds. The parties to the Facility Lease agree that the proceeds of the Bonds will be used by the Authority pay Construction Costs with respect to the Project, to fund the Reserve Fund and to pay the costs of executed and delivering incidental and related expenses.

Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the County or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; *provided*, that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County specifically, pursuant to the Facility Lease, agrees to ensure that the following requirements are met:

(i) The County will not invest or allow to be invested proceeds of the Bonds at a yield in excess of the yield on the Bonds, except to the extent allowed under the Tax Certificate.

(ii) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

Rental Payments

The County, pursuant to the Facility Lease, agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) Base Rental Payments. Subject to the immediately following sentence, the County shall pay to the Authority rental under the Facility Lease as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Facility Lease, and made a part of the Facility Lease. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County under the Facility Lease.

If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest on the Bonds.

(b) Additional Payments. The County shall also pay in addition to the Base Rental Payments, to the Authority or the Trustee, as provided in the Facility Lease, such amounts ("Additional Payments") in each year as follows:

(i) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Facility Lease or in any way arising due to the transactions contemplated by the Facility Lease but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the County's expense, to protest and contest any such taxes or assessments levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(ii) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture as provided in the Indenture, as and when the same become due and payable;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Facility Lease, the Site Lease or the Indenture;

(iv) The annual fee of the Authority and the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Facility Lease, the Site Lease, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving the Facility Lease, the Site Lease, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the County, the Leased Property, its properties, assets or operations or otherwise in connection with the administration of the Facility Lease, the Site Lease, the Bonds or the Indenture; and

(v) All amounts owed the Bond Insurer and the Credit Facility provider as otherwise provided in the Facility Lease or in the Related Documents.

Such Additional Payments shall be billed to the County by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items.

(c) Consideration.

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of the Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties to the Facility Lease acknowledge that they may amend the Facility Lease from time to time to increase the Base Rental Payments payable under the Facility Lease so that Additional Bonds may be executed, authenticated and issued pursuant to the Facility Lease and the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

(d) Payment; Credit. Each installment of Base Rental Payments payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the designated corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any such installment of rental accruing under the Facility Lease which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in the Facility Lease as summarized herein under the caption "Rental Abatement" below, and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the County and the Authority, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due under the Facility Lease or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this section on any date shall be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each Fiscal Year commencing after the date of the Facility Lease (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due under the Facility Lease, then to the principal components (including any prepayment premium components) of the Base Rental Payments due under the Facility Lease and thereafter to all Additional Payments due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted by the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided therein and summarized herein under the caption "THE FACILITY LEASE - The Leased Property - Prohibition Against Encumbrance or Sale." Any abatement of rental payments pursuant to this section shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

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

Prepayment of Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2014 Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2014 Bonds and any Additional Bonds.

The County may prepay, from any source of available moneys pursuant to the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under the Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under the Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2014 Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this section, at least 45 days before the prepayment date the County shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

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

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

Additional Bonds. In addition to the Series 2014 Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2014 Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; *provided* that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease.

Insurer Provisions and Covenants. So long as any Series 2014 Bonds remain outstanding and the Insurer shall not have defaulted under the Bond Insurance Policy (or any amounts are owed to the Insurer), the County covenants as follows:

(a) The County shall pay or reimburse the Insurer, as Additional Payments, subject to the terms of the Facility Lease, any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Facility Lease or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Facility Lease or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Facility Lease or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Facility Lease or any other Related Document.

(b) The County agrees to pay to the Insurer, as Additional Payments, subject to the terms of the Facility Lease (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy and/or the Reserve Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum, and, with respect to the Reserve Policy, as further provided in the Insurance Agreement.

(c) The County will covenant and agree, to the extent it may lawfully do so, that so long as any of the Series 2014 Bonds remain outstanding and unpaid, the County will not exercise the power of condemnation with respect to the Leased 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 fail or refuse to abide by such covenant and condemns the real property subject to the Facility Lease, the appraised value of the real property subject to the Facility Lease shall not be less that the greater of (i) if such Series 2014 Bonds are then subject to redemption, the principal and interest components of the Series 2014 Bonds outstanding through the date of their redemption, or (ii) if such Series 2014 Bonds are not then subject to redemption, the amount necessary to defease such Series 2014 Bonds to the first available redemption date in accordance with the Indenture.

(d) AGM shall have the exclusive right to deliver its vote or consent with respect to the Insured/ Bonds in connection with the exercise of any remedies or other matters for which voting or consent is required for defaults and non-appropriation under both the Facility Lease and Indenture.

(e) Any sale, substitution, release, transfer, lease, assignment, mortgage or encumbrance with respect to the leased property subsequent to the Closing Date shall be subject to the prior written consent of AGM, which consent shall not be unreasonably withheld.

Maintenance; Taxes; Insurance and Other Charges

Maintenance of the Leased Property by the County. The County, pursuant to the Facility Lease, agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep, or cause to be maintained, preserved and kept, the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Taxes, Other Governmental Charges and Utility Charges. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this section. Such insurance shall consist of:

(a) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or outside of the County which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (a) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (a) may provide that amounts payable as coverage under this paragraph (a) may be reduced by amounts payable under paragraph (c) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

(b) In the event that such coverage is not included in paragraph (a) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than $75,000,000 per accident. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to $75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County which may be limited in amount to $75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (b) may provide that amounts payable as coverage under this paragraph (b) may be reduced by amounts payable under paragraph (c) for the same occurrence, and vice versa.

(c) So long as any Bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (a) or (b) above, as the case may be, in an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (a) or (b) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (c) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (a) or (b) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (c) may provide that amounts payable as coverage under this paragraph (c) may be reduced by amounts payable under paragraph (a) or (b), as the case may be, for the same occurrence, and vice versa.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (a) and (b) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (a) or (b) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (a) or (b) above shall be applied as provided in the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraphs (a) and (b) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (c) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee and the Insurer not later than January 31 of each year certifying that the insurance policies required by this section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed. The County will provide the Insurer with copies of such insurance policies upon request. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the County agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to such exceptions as do not materially affect the County's right to the use and occupancy of the Leased Property.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided*, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Indenture as summarized in this Official Statement under the caption "The Series 2014 Bonds – Redemption - Extraordinary Redemption" for redemption from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or redemption; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property

Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County, pursuant to the Facility Lease, agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment; Indemnification; Non-Liability

Assignment by Authority. The parties understand that certain of the rights of the Authority under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County, pursuant to the Facility Lease, agrees to make all payments due under the Facility Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Facility Lease or otherwise) that the County may from time to time have against the Authority. The County, pursuant to the Facility Lease, agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Facility Lease.

Assignment by County. The Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by the Facility Lease and any assignment in contravention of the Facility Lease shall be void.

Indemnification. To the fullest extent permitted by law, the County agrees to indemnify, hold harmless and defend the Authority, the County, the Trustee, and each of their respective officers, governing board members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise arising out of or based upon or in any way relating to:

(a) the Bonds, Indenture, the Facility Lease, the Site Lease or the execution or amendment thereof or in connection with transactions contemplated, including the issuance, sale, resale or remarketing of the Bonds;

(b) any act or omission of the County or any of its agents, contractors, servants, employees or licensees in connection with the Leased Property, the operation of the Leased Property, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of the Leased Property or any part thereof;

(c) any lien or charge upon payments by the County to the Authority and the Trustee under the Facility Lease, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Leased Property;

(d) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substance from, the Leased Property or any part thereof;

(e) the defeasance and/or redemption, in whole or in part, of the Bonds;

(f) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(g) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (a) in the case of the foregoing indemnification of the Trustee or any of their respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (b) in the case of the foregoing indemnification of the Authority or any of its program participants, officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party; provided that the foregoing indemnification shall be strictly limited to defaults or other actions by the County. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under the Facility Lease, the County, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the County shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the County if in its judgment a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel. The rights of any persons to indemnify under the Facility Lease and rights to payment of fees and reimbursement of expenses pursuant to paragraph (b) above, shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of this section shall survive the termination of the Facility Lease.

Non-Liability of the Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under the Facility Lease.

The County acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the County to the Trustee pursuant to the Facility Lease, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Facility Lease shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the County shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the County, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the County shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum under the Facility Lease or be subject to any personal liability or accountability by reason of the execution and delivery of the Facility Lease; but nothing contained in the Facility Lease shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Facility Lease.

Default

(a) The following events shall be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(i) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, *provided*, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease shall not constitute an Event of Default;

(ii) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(iii) The County shall breach any other terms, covenants or conditions contained in the Facility Lease or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; *provided, however*, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in paragraphs (a) or (e) under this caption, it shall be lawful for the Authority or its assignee, subject to the terms of the Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease.

(c) Upon the occurrence of an Event of Default, the Authority or its assignee may do any of the following subject to the Indenture and any other applicable provisions:

(i) Terminate the Facility Lease in the manner hereinafter provided on account of default by the County, notwithstanding any re-entry or re-letting of the Leased Property as hereinafter provided for in subparagraph (ii) below, and to re-enter the Leased Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and place such personal property in storage in any warehouse or other suitable place located within the County. In the event of such termination, the County agrees to surrender immediately possession of the Leased Property without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the County, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Facility Lease shall of itself operate to terminate the Facility Lease, and no termination of the Facility Lease on account of default by the County shall be or become effective by operation of law or acts of the parties to the Facility Lease, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate the Facility Lease. The County covenants and agrees that no surrender of the Leased Property or of the remainder of the term of the Facility Lease or any termination of the Facility Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(ii) Without terminating the Facility Lease, (i) to collect each Base Rental Payment installment and other amounts as they become due and enforce any other terms or provision of the Facility Lease to be kept or performed by the County, regardless of whether or not the County has abandoned the Leased Property, or (ii) to exercise any and all rights of re-entry upon the Leased Property. In the event the Authority does not elect to terminate the Facility Lease in the manner provided for in subparagraph (i) above, the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, if the Leased Property are not re-let, to pay the full amount of the Base Rental Payments, Additional Payments and other amounts to the end of the term of the Facility Lease or, in the event that the Leased Property are re-let, to pay any deficiency in rent and other amounts that result therefrom; and further agrees to pay said rent and other amounts and/or deficiency rent and other amounts punctually at the same time and in the same manner as hereinabove provided for the payment of Base Rental Payments, Additional Payments and other amounts under the Facility Lease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental or other amounts in excess of the rental or other amounts specified in the Facility Lease, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Leased Property. Should the Authority elect to enter or re-enter as provided in the Facility Lease, the County will irrevocably appoints the Authority as the agent and attorney-in-fact of the County to re-let the Leased Property or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and to place such personal property in storage in any warehouse or other suitable place located in the County, for the account of and at the expense of the County, and the County will exempt and agree to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. The County agrees that the terms of the Facility Lease constitute full and sufficient notice of the right of the Authority to re-let the Leased Property and to do all other acts to maintain or preserve the Leased Property as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender of the Facility Lease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Facility Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate the Facility Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in sub-paragraph (i) above. The County further waives the right to any Base Rental Payment or other amounts obtained by the Authority in excess of such rental and other amounts specified in the Facility Lease and will convey and release such excess to the Authority as compensation to the Authority for its services in re-letting the Leased Property or any part thereof.

(d) The County will waive any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Property as provided in the Facility Lease and all claims for damages that may result from the destruction of the Leased Property and all claims for damages to or loss of any property belonging to the County, or any other person, that may be in or upon the Leased Property.

(e) The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

(f) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if the County's interest in the Facility Lease or any part thereof assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by the Facility Lease), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease); then in each and every such case the County shall be deemed to be in default under the Facility Lease.

(g) Neither the County nor the Authority shall be in default in the performance of any of its obligations under the Facility Lease (except for the obligation to make Base Rental Payments pursuant to the Facility Lease) unless and until it shall have failed to perform such obligation within 30 days after notice by the County of the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

(h) The County and Authority and its successors and assigns shall honor the exclusive rights of the County to use the Leased Property.

Miscellaneous

Binding Effect. The Facility Lease shall inure to the benefit of and shall be binding upon the Authority and the County and their respective successors and assigns.

Trustee as Third Party Beneficiary. The Trustee is designated a third party beneficiary under the Facility Lease for the purpose of enforcing any of the rights under the Facility Lease assigned to the Trustee under the Assignment Agreement.

<u>Net Lease</u>. It is the purpose and intent of the Authority and the County that lease payments under the Facility Lease shall be absolutely net to the Authority so that the Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

<u>Amendments</u>. The Facility Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written approval of the Trustee and the Insurer as provided in the Indenture; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment of the Facility Lease.

The Facility Lease and the rights and obligations of the Authority and the County under the Facility Lease may also be amended or supplemented at any time by an amendment of the Facility Lease or supplement to the Facility Lease which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Authority or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Authority or the County may deem desirable or necessary and not inconsistent with the Facility Lease, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with the Facility Lease;

(d) to facilitate the issuance of Additional Bonds as provided in the Facility Lease; or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners or the Insurer.

<u>Discharge of County</u>. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however*, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments under the Facility Lease pursuant to the Indenture, then the obligation of the County under the Facility

Lease to make Base Rental Payments under the Facility Lease shall continue in full force and effect until the Outstanding Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments. The time period for giving notice by the County to the Authority and the Trustee specified in the Facility Lease as summarized herein under the heading "RENTAL PAYMENTS – Prepayment of Rental Payments" shall not apply incident to the payment to the Owners of all Outstanding Bonds in accordance with the Indenture.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Facility Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Facility Lease shall be affected thereby, and each provision of the Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

California Law. The Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SITE LEASE

Leased Property. The County leases to the Authority and the Authority rents and hires from the County, on the terms and conditions set forth in the Site Lease, the Leased Property.

Term.

(a) The term of the Site Lease will commence on the Closing Date and shall end on the Expiry Date, unless such term is sooner terminated or is extended as provided in the Site Lease. If prior to the Expiry Date all Base Rental Payments and Additional Payments including amounts owed AGM) under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Indenture, the term of the Site Lease shall end simultaneously therewith.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, the Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Authority shall pay to the County an advance rent of $1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Site Lease over its term. The Authority waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation

Purpose. The Authority shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided*, that in the event of default by the County under the Facility Lease, the Authority may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Assignments and Leases. Unless the County shall be in default under the Facility Lease, the Authority may not, without the prior written consent of the County, assign its rights under the Site Lease or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Authority's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Authority, pursuant to the Site Lease, agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Site Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Site Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided*, that so long as the Bonds issued pursuant to the Indenture are Outstanding, the County shall have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Authority and the Trustee that authenticates and issues the Bonds.

Quiet Enjoyment. The Authority at all times during the term of the Site Lease shall peaceably and quietly have, hold and enjoy the Leased Property, subject to Permitted Encumbrances.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely corporate liabilities of the Authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease for anything done or omitted to be done by the Authority under the Site Lease.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Payments due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Site Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease.

Governing Law. The Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

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APPENDIX D

BOOK-ENTRY SYSTEM

THE INFORMATION IN THIS APPENDIX D CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE COUNTY AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE COUNTY AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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. The information set forth on such websites is not incorporated by reference.

Purchases of the Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds: DTC records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The Authority and the County will not have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Series 2014 Bonds. Beneficial Owners of the Series 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2014 Bond documents. For example, Beneficial Owners of the Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2014 Bonds of a particular maturity are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2014 Bonds of such maturity to be redeemed. However, the Authority and the County understand that, in the case of a partial redemption of taxable bonds of a particular issue maturing on a particular date that are subject to proportional redemption among owners (such as the Series 2014 Bonds), DTC will reduce the position of each Direct Participant to whose DTC account the taxable bonds of such issue and maturity are credited on a proportional basis, subject to the authorized denominations. In addition, the Authority and the County understand that, in such case, Direct Participants and Indirect Participants to whose accounts interests in such taxable bonds are credited also will reduce the positions of the persons owning beneficial interests in such taxable bonds on a proportional basis, subject to the authorized denominations. None of the Authority, the County or the Trustee can provide any assurance that DTC, the Direct Participants or the Indirect Participants will allocate redemptions of the Series 2014 Bonds of a particular maturity among Beneficial Owners on such a proportional basis.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates 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 or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

THE AUTHORITY, THE COUNTY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2014 BONDS (i) PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2014 BONDS (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2014 BONDS OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2014 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NONE OF THE AUTHORITY, THE COUNTY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SERIES 2014 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2014 BONDS.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Authority, the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2014 Bonds are required to be printed and delivered.

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, Series 2014 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the County believe to be reliable, but the Authority, the County and the Underwriters take no responsibility for the accuracy thereof.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon issuance of the Series 2014 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Series 2014 Bonds in substantially the following form:

[Date of Delivery]

California Statewide Communities Development Authority
Sacramento, California

County of Kings
Hanford, California

California Statewide Communities Development Authority
Lease Revenue Bonds (Facilities Expansion Project)
(County of Kings, California), Series 2014
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Statewide Communities Development Authority (the "Authority") in connection with issuance of $__________ aggregate principal amount of California Statewide Communities Development Authority Lease Revenue Bonds (Facilities Expansion Project) (County of Kings, California), Series 2014 (the "Series 2014 Bonds"), issued pursuant to an Indenture, dated as of July 1, 2014 (the "Indenture"), by and among the Authority, the County of Kings (the "County") and Wilmington Trust, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed a Facility Lease, dated as of July 1, 2014 (the "Facility Lease") between the Authority and the County, a Site Lease, dated as of July 1, 2014 (the "Site Lease"), between the County and the Authority, a Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the Authority, and an Assignment Agreement, dated as of July 1, 2014 (the "Assignment Agreement"), between the Authority and the Trustee, opinions of counsel to the Authority, the County and the Trustee, certificates of the Authority, the County, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2014 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Series 2014 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2014 Bonds, the Facility Lease, the Site Lease, the Indenture, the Assignment Agreement, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Facility Lease, the Site Lease or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2014 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2014 Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority and the County. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2014 Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Facility Lease and the Site Lease have been duly executed and delivered by, and constitute valid and binding obligations of, the County and the Authority.

4. Interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014 Bonds.

Faithfully yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is entered into by and between the County of Kings (the "County") and Wilmington Trust, N.A., as Dissemination Agent (the "Dissemination Agent") in connection with the issuance of $_____ principal amount of California Statewide Communities Development Authority Lease Revenue Bonds (Facilities Expansion Project) (County of Kings, California) Series 2014 (the "Bonds"). The Bonds are being executed and delivered pursuant to a Indenture, dated as of July 1, 2014 (the "Indenture"), by and among the County, the California Statewide Communities Development Authority (the "Authority") and Wilmington Trust, N.A., as trustee (the "Trustee"). The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Business Day" shall mean any day of the year other than Saturday or Sunday or any other day on which banks in New York, New York or San Francisco, California are not authorized or obligated by law or executive order to close and on which the New York Stock Exchange is not closed.

"Dissemination Agent" shall mean Wilmington Trust, N.A., or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.

"Holder" shall mean either the registered owners of the Bonds, or if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Notice Event" shall mean any of the events listed in Section 6 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Official Statement" shall mean the Official Statement relating to the Bonds dated July __, 2014.

"Participating Underwriters" shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current internet address of which is http://emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 4. Provision of Annual Reports. (a) The County shall, or shall cause the Dissemination Agent to, not later than March 31 after the end of the County's fiscal year (currently ending June 30), commencing with the report for the Fiscal Year ending June 30, 2014 (which is due not later than March 31, 2015), provide to the MSRB an Annual Report which is consistent with the requirements of this Section and Section 5 of this Disclosure Agreement. 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 5 of this Disclosure Agreement; provided, that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Notice Event under Section 6.

(b) Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the County that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by said date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the County of such failure to receive the Annual Report.

(c) If the County is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Dissemination Agent is irrevocably instructed to file a notice to the MSRB through its EMMA System.

(d) The Dissemination Agent shall file a report with the County stating that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement and stating the date it was provided.

Section 5. Content of Annual Reports. (a) The County's Annual Report shall contain or include by reference the audited financial statements of the County for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the County, the Annual Report shall also include the information from the following tables or sections in Appendix A of the Official Statement, updated for the most recently completed fiscal year:

1. Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund;

2. Comparison of Balance Sheets - General Fund;

3. Summary of Tax Levies and Collections;

4. Assessed Value of Taxable Property;

5. Top Property Taxpayers;

6. Safety Plan Employer Contribution Rates;

7. Safety Plan Funding History;

8. Miscellaneous Plan Employer Contribution Rates

9. Miscellaneous Plan Funding History;

10. Updates of the information under "Other Post-Employment Benefits;"

11. Outstanding Obligations (including a description of any long-term obligations incurred during such fiscal year); and

12. Investment Portfolio Summary.

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, (i) available to the public through the EMMA system or (ii) filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through its EMMA System. The County shall clearly identify each such other document so included by reference. The provisions of this Section 5 shall not apply to notices of Notice Events pursuant to Section 6 hereof.

Section 6. Reporting of Notice Events. If a Notice Event occurs, the County shall provide, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Dissemination Agent.

Pursuant to the provisions of this Section 6, the County shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Notice Event") with respect to the Bonds:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. modifications to rights of Holders, if material;

4. Certificate calls, if material and tender offers;

5. defeasances;

6. rating changes;

7. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on the credit enhancements reflecting financial difficulties;

10. release, substitution or sale of property securing repayment of the Bonds, if material;

11. bankruptcy, insolvency, receivership or similar event of the County (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

12. substitution of credit or liquidity providers, or their failure to perform;

13. the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

If the County determines that a Notice Event has occurred, the County shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

If the Dissemination Agent has been instructed by the County to report the occurrence of a Notice Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Notice Events, the County shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

Section 8. Termination of Reporting Obligation. (a) The obligations of the County and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Notice Event under Section 6.

(b) This Disclosure Agreement, or any provision hereof, shall cease to be effective in the event that the County (1) delivers to the Dissemination Agent an opinion of Counsel, addressed to the County and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. 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 Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wilmington Trust, N.A.. If at any time there is no designated Dissemination Agent appointed by the County, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the County shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the County) shall not be responsible in any manner for the content of any notice or report required to be delivered by the County pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing 30 days' written notice to the County and the Trustee. The Dissemination Agent may resign by providing thirty days written notice to the County and the Trustee.

Section 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

If the amendment or waiver relates to the provisions of Sections 4(a), 5, or 6, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of a nationally recognized bond counsel, materially impair the interest of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Notice Event under Section 6, 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 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

Section 12. Additional Disclosure Obligations. The County acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the County and that, under some circumstances, compliance with this Disclosure Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the County under such laws.

Section 13. Default. In the event of a failure of the County to comply with any provision of this Disclosure Agreement, the Dissemination Agent shall at the written request of any Participating Underwriter or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Bonds then outstanding, but only to the extent indemnified to the satisfaction of the Dissemination Agent from and against any costs, expenses and liabilities, including attorney's fees or any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Agreement; provided that any such action may be instituted only in the Superior Court of the State of California in the County of Kings or in the U.S. District Court in the Northern District of California. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement shall be an action to compel performance.

Section 14. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, 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 costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under the Indenture. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Disclosure Agreement in accordance with its written fee schedule provided to the County, as such fee schedule may be amended from time to time. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 16. Execution in Counterparts. This Disclosure Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 17. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 18. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Disclosure Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 19. Governing Law. This Disclosure Agreement is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

Section 20. Severability. If any agreement, condition, covenant or term hereof or any application hereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all agreements, conditions, covenants and terms hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

Section 21. Execution in Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Dated: July 1, 2014

COUNTY OF KINGS

By:____
Authorized Officer

WILMINGTON TRUST, N.A., as Dissemination Agent

By:____
Authorized Officer

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APPENDIX G

SPECIMEN INSURANCE POLICY

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MUNICIPAL BOND

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer