PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 15, 2010

NEW ISSUE—FULL BOOK ENTRY

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

Subject to compliance by the County with certain covenants, in the opinion of Quint &Thimmig LLP, San Francisco, California, Special Counsel, interest with respect to the Certificates (i) is excludable from gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein for a more complete discussion.

$63,800,000*
Certificates of Participation
(2010 Financing Project)
Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
COUNTY OF MARIN, CALIFORNIA
as the Rental for Certain Property Pursuant to a Lease Agreement with the Marin County Capital Improvements Financing Authority

Dated: Date of Delivery **Due: August 1, as set forth below**

The $63,800,000* Certificates of Participation (2010 Financing Project) (the "Certificates"), are being executed and delivered to provide funds to (i) finance capital improvements throughout the geographic boundaries of Marin County, California (the "County"), (ii) refund the County's outstanding Certificates of Participation (1998 Capital Improvement Projects), Series A and Series B (the "1998 Certificates"), (iii) fund a reserve fund for the Certificates, and (iv) pay costs incurred in connection with executing and delivering the Certificates. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the County to the Marin County Capital Improvements Financing Authority (the "Authority") for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of October 1, 2010, by and between the Authority and the County (the "Lease Agreement"). The Authority will assign its right to receive Lease Payments from the County under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the County thereunder to U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee"), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (referred to herein as "DTC"). Purchasers of the Certificates (the "Beneficial Owners") will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each February 1 and August 1, commencing February 1, 2011. The Certificates may be executed and delivered in denominations of $5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See "THE CERTIFICATES—Book-Entry-Only System" herein).

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

The County will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the County of the Property or any portion thereof. The County will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

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

MATURITY SCHEDULE*

CUSIP Prefix: _______†

Maturity (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP Suffix†	Maturity (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP Suffix†
2011	$2,370,000				2026	$1,620,000			
2012	1,980,000				2027	1,680,000			
2013	1,990,000				2028	1,740,000			
2014	2,005,000				2029	1,810,000			
2015	2,030,000				2030	1,880,000			
2016	2,055,000				2031	1,955,000			
2017	2,090,000				2032	2,035,000			
2018	2,135,000				2033	2,125,000			
2019	2,180,000				2034	2,215,000			
2020	2,235,000				2035	2,310,000			
2021	2,295,000				2036	2,415,000			
2022	2,365,000				2037	2,520,000			
2023	2,435,000				2038	2,630,000			
2024	1,515,000				2039	2,750,000			
2025	1,565,000				2040	2,870,000			

Bids for the purchase of the Certificates will be received by the County on Tuesday, September 28, 2010, *electronically only*, through the I-Deal LLC BiDCOMP/PARITY© system, between 9:00 A.M. and 9:30 A.M., Pacific Daylight time. The Certificates will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated September 16, 2010.

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

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, San Francisco, California, as Special Counsel. Certain matters will be passed upon for the County by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about October 13, 2010.

Dated: September ___, 2010

*Preliminary, subject to change.

 CUSIP numbers have been assigned by an independent company not affiliated with the County and are included solely for the convenience of the registered owners of the Certificates. The County is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

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

MARIN COUNTY CAPITAL IMPROVEMENTS FINANCING AUTHORITY

COUNTY BOARD OF SUPERVISORS

Judy Arnold, *President*, District 5
Susan L. Adams, *Vice President*, District 1
Steve Kinsey, *2nd Vice President*, District 4
Harold C. Brown Jr., *Boardmember*, District 2
Charles McGlashan, *Boardmember*, District 3

COUNTY OFFICIALS

Matthew H. Hymel, *County Administrator*
Michael Smith, *Treasurer-Tax Collector*
Mark J. Walsh, *Director of Finance*
Patrick Faulkner, *County Counsel*

AUTHORITY GOVERNING BOARD

Judy Arnold, *Chair*
Susan L. Adams, *Vice Chair*
Harold C. Brown Jr., *Boardmember*
Steve Kinsey, *Boardmember*
Charles McGlashan, *Boardmember*

AUTHORITY OFFICIALS

Matthew H. Hymel, *Executive Director*
Michael Smith, *Treasurer*
Patrick Faulkner, *Authority Counsel*

SPECIAL SERVICES

Financial Advisor
Wulff Hansen & Company
San Francisco, California

Special Counsel and Disclosure Counsel
Quint & Thimmig LLP
San Francisco, California

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

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

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

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

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

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

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

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

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

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CERTIFICATES OF PARTICIPATION
(2010 Financing Project)
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COUNTY OF MARIN, CALIFORNIA
as the Rental for Certain Property
Pursuant to a Lease Agreement with the
Marin County Capital Improvements Financing Authority

INTRODUCTION

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

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of $63,800,000* aggregate principal amount of Certificates of Participation (2010 Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2010 (the "Trust Agreement"), by and among the County of Marin (the "County"), the Marin County Capital Improvements Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee").

Proceeds of the Certificates will be used to (a) finance various capital improvements throughout the geographic boundaries of the County (the "2010 Projects"), (b) refund, on a current basis, the County's outstanding Certificates of Participation (1998 Capital Improvement Projects), Series A (the "1998 Series A Certificates"), and the County's outstanding Certificates of Participation (1998 Capital Improvement Projects), Series B (the "1998 Series B Certificates" and, with the 1998 Series A Certificates, the "1998 Certificates"), (c) fund a reserve fund for the Certificates, and (d) pay costs incurred in connection with executing and delivering the Certificates. See "PLAN OF FINANCING."

The County will lease the site of the Marin County Civic Center (the "Site") and the improvements thereon (collectively, the "Facility" and together with the Site, the "Property") to the Authority pursuant to a Site and Facility Lease, dated as of October 1, 2010 (the "Site and Facility Lease"), between the County and the Authority. The Authority will lease the Property back to the County pursuant to a Lease Agreement, dated as of October 1, 2010 (the "Lease Agreement"). The Certificates are payable solely from and secured by certain lease payments ("Lease Payments") to be made by the County to the Authority pursuant to the Lease Agreement. See "SOURCE OF PAYMENT FOR THE CERTIFICATES" and "THE PROPERTY."

Interest with respect to the Certificates is payable on February 1 and August 1 of each year, commencing February 1, 2011. The Certificates will mature in the amounts and on the

* Preliminary, subject to change.

dates and bear interest at the rates shown on the cover of this Official Statement. See "THE CERTIFICATES."

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

Source of Payment for the Certificates

The Certificates represent direct, undivided fractional interests of the Owners thereof in the Lease Payments to be paid by the County to the Authority pursuant to the Lease Agreement. Lease Payments are calculated to be sufficient to permit the payment of the principal and interest with respect to the Certificates when due. The Lease Payments are payable by the County from its general fund for the right to use and possess the Property. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the County of the Property or any portion thereof. The County will covenant under the Lease Agreement to take such action as necessary to include the Lease Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of October 1, 2010 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights under the Lease Agreement, including its right to receive Lease Payments from the County for the purpose of securing the payment of principal and interest with respect to the Certificates. See "SOURCE OF PAYMENT FOR THE CERTIFICATES" and "RISK FACTORS."

A Reserve Fund equal to the Reserve Requirement will be established and maintained by the Trustee pursuant to the Trust Agreement. Money in the Reserve Fund will be used by the Trustee in the event amounts in the Lease Payment Fund are insufficient to pay principal and/or interest with respect to the Certificates. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Reserve Fund."

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

The County

The County is located in the north San Francisco Bay Area of California, across the Golden Gate Bridge from San Francisco. As of January 1, 2010 the population was approximately 260,651. The County seat is San Rafael and the largest employer is the County government. The County is governed by the County Board of Supervisors (the "County Board"). The County's General Fund budget for fiscal year 2010-11 includes revenues of approximately $350 million and a beginning available fund balance of approximately $24.8 million. See "THE COUNTY," "COUNTY FINANCIAL INFORMATION" and APPENDIX A—

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY.

Continuing Disclosure

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

Summaries of Documents

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

Other Information

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

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

SOURCES AND USES OF FUNDS

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

Sources	
Par amount of the Certificates	
Plus: Original Net Premium	
Less: Released 1998 Moneys	
Total Sources	
Uses	
Deposit to Project Fund (1)	
Deposit to Escrow Fund (2)	
Deposit to Reserve Fund (3)	
Deposit to Delivery Costs Fund (4)	
Total Uses	

(1) Amounts deposited in the Project Fund will be applied to the financing of the 2010 Projects. See PLAN OF FINANCING—2010 Projects.
(2) Amounts deposited in the Escrow Fund will be applied to the redemption of the 1998 Certificates. See PLAN OF FINANCING—Refunding of the 1998 Certificates.
(3) Equal to the Reserve Requirement being maximum annual Lease Payments occurring in the year ending August 1, ____.
(4) Delivery Costs include the Underwriter's discount, fees and expenses of Special Counsel, Disclosure Counsel and the Trustee, printing expenses, rating fees, title insurance and other costs.

PLAN OF FINANCING

Proceeds of the Certificates will be used to (a) finance the 2010 Projects, (b) refund the 1998 Certificates, (c) fund a reserve fund for the Certificates, and (d) pay costs incurred in connection with executing and delivering the Certificates.

2010 Projects

A portion of the proceeds of the Certificates will be used to finance capital improvements including one or more of the following:

The County owns 43 buildings, with approximately 1.1 million square feet, highlighted by Frank Lloyd Wright's National Historic Landmark Marin County Civic Center. Many of these buildings are more than 20 years of age and in need of modernization and/or new systems. The County estimates that over the next 10 years there is a range of $43 to $57 million in deferred maintenance and code upgrades that will be needed to extend the useful life of these facilities.

The Marin County Fire Department has a number of older or obsolete facilities that will need upgrading or rebuilding over the next 10-20 years with an estimate of the range of costs from $43 to $68 million, not including any land acquisition.

The County has been planning a new Emergency Operations Facility (EOF) project that will meet California essential service facility standards that will house the Marin County Sheriff Department's Emergency Operations Center and other County programs that need to be available after a major seismic event. Costs for this project can range from $58 to $75 million.

Refunding of the 1998 Certificates

A portion of the proceeds of the Certificates will be used to effect a current refunding of the outstanding 1998 Series A Certificates, currently outstanding in the principal amount of $15,875,000, and to effect a current refunding of the outstanding 1998 Series B Certificates, currently outstanding in the principal amount of $1,590,000. The 1998 Certificates were executed and delivered to refund certain outstanding certificates of participation delivered in 1991 (the "1991 Certificates") and to finance certain capital projects for the County, including the seismic retrofit of the County's Hall of Justice, the acquisition of a substation for the County Sheriff's department, construction of an addition to the County Juvenile Hall and for the expansion and remodeling of the County firehouse. The 1991 Certificates were executed and delivered to finance the construction of the County Jail and the acquisition of two office buildings.

A portion of the proceeds of the Certificates, in an amount equal to the full amount required to redeem the 1998 Certificates, including accrued interest with respect to the 1998 Certificates to the redemption date, will be deposited in an escrow fund (the "Escrow Fund") held in trust by U.S. Bank National Association, as escrow bank, under an escrow deposit and trust agreement with the County. The amounts deposited in the Escrow Fund will be applied to the redemption of the 1998 Certificates on November 1, 2010, at the redemption price of 100% of the principal amount thereof to be redeemed, plus accrued interest.

Upon the delivery of the Certificates and the deposit in the Escrow Fund of moneys sufficient to provide for the refunding of the 1998 Certificates, the 1998 Certificates will be deemed defeased and no longer outstanding. The holders of the 1998 Certificates will be entitled to payment solely out of the moneys deposited in the Escrow Fund.

PROPERTY

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

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

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

In addition to and separate from the main Civic Center buildings, the campus includes a variety of other buildings and facilities, including the General Service Building, City of San

Rafael Fire Station #7, a U.S. Post Office, a County Jail, a National Guard Armory (adjacent to the Campus), the Marin Veteran's Memorial Auditorium, the Exhibit Hall and Showcase Theatre, the County Fairgrounds, a playground, a lagoon and adjacent park, as well as a network of streets, parking areas, and miscellaneous landscaped and open space areas.

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

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

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

ANNUAL DEBT SERVICE

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

Year Ending August 1	Principal*	Interest	Total
2011	$ 2,370,000		
2012	1,980,000		
2013	1,990,000		
2014	2,005,000		
2015	2,030,000		
2016	2,055,000		
2017	2,090,000		
2018	2,135,000		
2019	2,180,000		
2020	2,235,000		
2021	2,295,000		
2022	2,365,000		
2023	2,435,000		
2024	1,515,000		
2025	1,565,000		
2026	1,620,000		
2027	1,680,000		
2028	1,740,000		
2029	1,810,000		
2030	1,880,000		
2031	1,955,000		
2032	2,035,000		
2033	2,125,000		
2034	2,215,000		
2035	2,310,000		
2036	2,415,000		
2037	2,520,000		
2038	2,630,000		
2039	2,750,000		
2040	2,870,000		
TOTAL	$63,800,000		

*Preliminary, subject to change.

THE CERTIFICATES

General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on the dates and interest with respect thereto will be payable at the rates per annum as set forth on the cover of this Official Statement. The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of $5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on February 1 and August 1 of each year, commencing February 1, 2011 (each an "Interest Payment Date"), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of "Cede & Co." as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See "THE CERTIFICATES—Book-Entry Only System."

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before January 15, 2011, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

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

Redemption

Optional Redemption. The Certificates maturing on or before August 1, 2020, are not subject to optional redemption prior to maturity. The Certificates maturing on and after August 1, 2021, are subject to optional redemption, in whole or in part on any date on or after August 1, 2020, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the date fixed for redemption from the proceeds of the optional prepayment of Lease Payments made by the County pursuant to the Lease Agreement, without premium.

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

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

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

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

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

Transfer and Exchange of Certificates

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

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

Book-Entry Only System

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

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

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

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

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

THE OBLIGATION OF THE COUNTY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR

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

Lease Payments; Covenant to Appropriate

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

Insurance

The County is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to one hundred percent (100%) of the replacement cost of the Property. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. The County is not required by the Lease Agreement to maintain earthquake coverage with respect to the Property and the County does not expect to purchase such coverage.

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

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

The County shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the County's leasehold estate in the Property, subject only to Permitted Encumbrances.

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

Abatement

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

Eminent Domain

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

Reserve Fund

The Trust Agreement provides that the Trustee will establish and maintain the Reserve Fund in an amount equal to the Reserve Requirement. "Reserve Requirement" means, as of any date of calculation, an amount equal to $____________, which is equal to the least of (a) 10% of the principal amount of the Certificates, or (b) the maximum amount of Lease Payments coming due in the current or any future year, or (c) 125% of average annual Lease Payments; *provided, however*, that if the Certificates are partially refunded, such amount shall be reduced to an amount equal to the maximum annual Lease Payments relating to the Certificates not so refunded, as specified in a certificate of a County Representative delivered to the Trustee. Except as otherwise expressly provided in the Trust Agreement, all money in the Reserve Fund will be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the County. After the August 1, 2022, principal payment, the Reserve Requirement will reduce to the maximum amount of Lease Payments coming due in any year thereafter.

Optional Prepayment

Pursuant to the Lease Agreement, the County has an option to prepay the principal components of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium. See "THE CERTIFICATES—Redemption—Optional Redemption."

Said option may be exercised with respect to Lease Payments due on and after July 15, 2021, in whole or in part on any date, commencing July 15, 2020. Said option shall be exercised by the County by giving written notice to the Authority and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date (or such fewer number of days as shall be Acceptable to the Trustee). In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the County. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the County to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Authority in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

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

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

Substitution of Site or Facility

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendment of Lease Agreement

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

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

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

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

THE COUNTY

Introduction

The County is one of the original 27 counties of California, created February 18, 1850, following adoption of the Constitution of 1849 and just months before the state was admitted to the Union. The County is located in the north San Francisco Bay Area of California, across the Golden Gate Bridge from San Francisco. Geographically, the county forms a large, southwardfacing peninsula, with the Pacific Ocean to the west, San Pablo Bay and San Francisco Bay to the east, and – across the Golden Gate – the city of San Francisco to the south. The County's northern border is with Sonoma County.

Most of the County's population resides on the eastern side, with a string of communities running along San Francisco Bay, from Sausalito to Tiburon to Corte Madera to San Rafael. The interior contains large areas of agricultural and open space; West Marin, through which State Route 1 runs alongside the California coast, contains many small unincorporated communities whose economies depend on agriculture and tourism.

As of January 1, 2010, the population was 260,651. The County seat is San Rafael and the largest employer is the County government. The County is governed by the County Board. The County's General Fund budget for fiscal year 2010-11 includes revenues of approximately $350 million and a beginning available fund balance of approximately $24.8 million.

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

Government and Administration

The County is governed by a five-member County Board elected to serve four-year terms. Other elected officials include the Assessor-Clerk-Recorder, District Attorney, Sheriff and Treasurer-Tax Collector. As a result of the passage of Measure B by County voters in November 2008, the offices of Auditor-Controller and Treasurer-Tax Collector will be fully consolidated by January 2011 into an appointed Director of Finance position.

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

Averaging just over 2,100 full-time equivalent employees, the County government provides a full range of public services including public safety, roads and facilities, social services, administrative services, health services and leisure services. Typically, the department heads that run these operations, other than the elected department heads, are appointed by the County Board.

Financial and Accounting Information

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. County resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The various funds are grouped into fund categories as described below under the caption "COUNTY FINANCIAL INFORMATION" and in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2009.

COUNTY FINANCIAL INFORMATION

Budgetary Process

The County is required by State law to adopt a balanced budget by July 1 of each fiscal year. Preparation of the annual budget requires an intensive effort covering a period of over nine months. Ongoing dialogue with the departments, advisory commissions and the County Board is critical to the development of a meaningful budget document. As part of the budget process, departments evaluate their accomplishments for the preceding year and determine next steps for the coming fiscal year to further implement the goals and desired outcomes of the department. The Proposed Budget document articulates the intentions of the departments for the coming year, detailing long-term goals and objectives and the associated initiatives for which funding is being requested. The budget strives to be thorough, clear and transparent.

The process begins in December with budget instructions issued to departments by the County Administrator. The various departments develop departmental budget requests by early February. After the County Administrator reviews the various departmental requests, the County Administrator prepares the County recommended budget, which is summarized by program and service areas, and submits it to the County Board prior to budget hearings in June. The County operates beginning July 1, the start of the fiscal year. After its adoption, department managers, the Department of Finance and the County Administrator's staff review and analyze revenue and expenditure detail throughout the year to identify variances from the budget.

In planning for and preparing the annual budget each year, prudent fiscal decisions are made that will sustain the long-term health and well-being of the County organization. Accordingly, the County Administrator strives to make fiscal recommendations in the Proposed Budget that adhere to financial guidelines approved by the County Board, including a reliance on use of one-time funds only for one-time purposes; cost-recovery through fees; generally speaking, not "backfilling" reduced state or federal revenues; and maintaining a minimum of 5% of operating budget in contingency or budget uncertainty reserves.

The County generally requires a reliance on no more than 5% of fund balance to finance General Fund operations. At mid-year, the County Administrator employs a robust mid-year budget and performance review process with departments, changing budget at mid-year to ensure that at least 5% of fund balance will be achieved by year-end. This process ensures that budget year planning relies on ongoing sources to finance ongoing uses. Several budget workshops per year are conducted to keep County Board apprised of budget performance and issues.

Budget information is presented for the general and special revenue funds. This budget data is prepared on the modified accrual basis consistent with comparable actual amounts. Budget appropriations represent original amounts adjusted by budget transfers and appropriation amendments.

Encumbrance accounting is utilized during the year for budget control purposes. However, encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather reserves of fund balances. The County does, however, honor the contracts represented by year-end encumbrances. Unencumbered budget appropriations lapse at the end of the Fiscal year.

Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the County Board. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

General Fund Budgets

Set forth in the following table is a summary statement of the adopted and final General Fund budget for fiscal year ended June 30, 2010, and the adopted General Fund budget for the fiscal year ending June 30, 2011.

Table 1
County of Marin
General Fund Budgets
For the Fiscal Year Ended June 30, 2010 and the Fiscal Year Ending June 30, 2011

	FY Ending June 30, 2010			FY Ending June 30, 2011
	Budgeted Amounts Adopted	Budgeted Amounts Final	Variance with Final Budget Positive (Negative)	Budgeted Amounts Adopted
Revenues:				
Taxes, vehicle license fees and franchises	$153,229,255	$167,449,569	$14,220,314	$150,146,429
Licenses and permits	5,314,146	5,870,574	556,428	6,445,449
Fines, forfeitures & penalties	4,613,040	6,895,409	2,282,369	6,251,000
Revenue from money & property	4,392,575	4,428,945	36,370	4,568,973
Aid from governmental agencies	142,036,156	162,257,765	20,221,609	137,547,959
Charges for services	41,716,522	47,093,951	5,377,429	43,268,710
Tobacco settlement & miscellaneous	6,259,004	6,396,506	137,502	5,862,145
Contributions				
Other financing sources	3,900,000	5,534,097	1,634,097	3,975,047
Total Revenues	361,460,698	405,926,816	44,466,118	358,065,712
Expenditures:				
Salaries and Benefits	241,755,309	242,213,033	522,725	240,801,591
Services and Supplies	90,898,155	101,427,251	10,464,094	87,992,532
Other Charges	34,550,644	37,008,163	2,457,519	35,658,774
Capital Assets	2,203,938	1,454,668	(749,270)	1,452,314
Other Financing Uses	6,806,541	16,584,349	9,777,808	8,882,786
Contingencies	9,800,000	0	(9,800,000)	8,100,000
Total Expenditures	$386,014,587	$398,687,464	$12,672,877	$382,887,997
Net change in budgetary fund balances	(24,553,889)	7,239,352		(24,822,285)
Budgetary fund balances, July 1	24,553,889	24,553,889		24,822,285
Budgetary fund balances, June 30	$ 0	$31,793,241		$ 0

Source: County of Marin Director of Finance.

Financial Statements

The County's Audited Financial Statements for the fiscal year ended June 30, 2009, which have been audited by Gallina LLP Certified Public Accountants (the "Auditor"), Roseville, California, are included in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2009. The County has not requested nor has the Auditor given consent to the inclusion in such appendix of its report on such financial statements, nor have such accountants reviewed or performed any audit procedures in connection with the preparation of this Official Statement. The County reports that there has been no material adverse change in the County's financial position since June 30, 2009.

The following financial information was compiled from the County's Audited Financial Statements and from the office of the Director of Finance. The financial and statistical information set forth herein does not purport to be a summary of the County's Audited Financial Statements. The County's Audited Financial Statements should be read in its entirety. The County's Audited Financial Statements are available on the County's website at www.co.marin.ca.us/nav/ServiceList.cfm?&ServDeptCd=AC. The information on such website is not incorporated herein by such reference or otherwise. The Audited Financial Statements of the County for the year ended June 30, 2009, is attached to this Official Statement as APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2009. The following data are for information purposes only and do not constitute the complete financial statements of the County.

The cash information presented for June 30, 2010 was compiled from the books and records of the County Director of Finance's office. Currently, cash information presented is unaudited. The County's 2010 Audited Financial Statements are expected to be available in December 2010.

The following table shows components of the County's General Fund balance sheet revenues, expenditures and changes in fund balance for a nine year period beginning June 30, 2005 through June 30, 2009.

Table 2
County of Marin
Summarized General Fund Financial Information for the Last Five Years (1)

	2009	2008	2007	2006	2005
Cash	$156,200,059	$152,324,268	$131,562,182	$187,878,148	$128,056,811
Other Assets	36,636,256	29,622,150	34,626,676	33,191,602	38,951,085
Total Assets	$192,836,315	$181,946,418	$166,188,858	$221,069,750	167,007,896
Total Liabilities	$ 21,331,558	$ 22,826,561	$ 22,409,089	$ 11,718,795	$ 16,210,443
Beginning Fund Balance	159,119,857	143,779,769	209,350,955	150,797,453	120,188,037
Revenue	374,044,631	392,557,788	351,973,071	432,044,870	366,116,994
Expenditure	(354,148,605)	(358,494,337)	(337,421,807)	(405,404,576)	(318,734,684)
Other Financing Source (Uses)	(7,511,126)	(18,723,363)	(45,380,664) (2)	9,438,188	(16,772,894)
Change in Fund Balance (including adjustments)	12,384,900	15,340,088	(65,571,186)	58,553,502	30,609,416
Ending Fund Balance	171,504,757	159,119,857	143,779,769	209,350,955	150,797,453
Total Fund Liabilities and Fund Balance	$192,836,315	$181,946,418	$166,188,858	$221,069,750	$167,007,896
Financial Indicators					
Percentage Cash to Ending Fund Balance	91.08%	95.73%	91.50%	89.74%	84.92%
Percentage Revenue to Ending Fund Balance	45.85%	40.53%	40.85%	48.46%	41.19%
Percentage Expenditure to Ending Fund Balance	48.43%	44.39%	42.61%	51.64%	47.31%
Percentage change in Cash	2.54%	15.78%	-29.97%	46.71%	19.13%
Percentage change in Ending Fund Balance	7.78%	10.67%	-31.32%	38.83%	25.47%

Source: County of Marin Audited Financial Reports for fiscal years 2005 through 2009.

(1) This reporting is summary data only. The complete audited financial statements of the County, including the notes to the audited financial statements, are an integral part of and necessary to a complete understanding of this statement.

(2) Transfer out of $37.3 million used to finance the Health & Wellness Campus in a capital project fund

2008-09 Fiscal Year Summary

At the end of the County's 2008-09 fiscal year, the assets for governmental activities exceeded its liabilities by $1,513,746,736 (net assets). Of this amount, $77,080,634 represents unrestricted net assets, which will be available to meet the County's ongoing obligations to citizens and creditors. Restricted net assets of $96,059,870 may be used for the County's ongoing obligations related to programs with external restrictions. The remaining $1,340,606,232 represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets (invested in capital assets, net of related debt). County total net assets for governmental activities decreased by $36,617,906.

Property tax revenues decreased slightly for fiscal year ended June 30, 2009. Housing prices in the County have come under moderate pressure and, as a result, property tax revenues are not expected to increase substantially for the foreseeable future.

Expenses related to Governmental activities decreased by $7,328,797 to $491,086,167. This represents a 1.5% decrease. Due to the ongoing downward pressure on revenues to the County, budgets were strictly reviewed as to necessity and productivity which resulted in the budget realignment.

Public Protection expenses increased from the 2008 fiscal year, increasing from $159,494,067 to $169,921,297. Health and sanitation expenses decreased from the 2008 fiscal year, from $97,826,891 to $96,157,874.

At the end of the County's 2008-09 fiscal year, the General Fund showed $171,504,757 in total fund balance, with $30,724,820 unreserved/undesignated. This represents an increase of $1,863,025 from the previous year. Revenue collected in the General Fund for County Services decreased by $18,513,157 to $374,044,631, a decrease of 4.7%.

2009-10 Fiscal Year Summary

At the end of the County's 2009-10 fiscal year, the General Fund assets exceeded its liabilities by $191,632,029 (fund balance). Of this amount, $38,912,196 represents unreserved undesignated fund balance, which will be available to meet the County's ongoing obligations to citizens and creditors. Reserved fund balance of $49,492,634 is not available for the County's ongoing obligations because of external restrictions. The remaining $103,227,199 represents the County's intended designations that could be changed to pay for ongoing operations if the Board of Supervisors desired. County total General Fund fund balance increased by $20,127,272.

Revenues increased by $19,853,149 to $393,897,780, this represents a 5.3% increase. Expenditures increased by $22,928,347 to $377,076,952, this represents a 6.4% increase.

Outlook for Fiscal Year 2010-11

The County's fiscal year 2010-11 budget projects the receipt of approximately 38% of its total revenues from Federal and State aid. As a provider of State and federally mandated services, dependent upon intergovernmental revenues, the County's fiscal health is necessarily dependent upon federal and State budget appropriations. The County currently anticipates being able to budget the necessary sums for all projected expenditures for fiscal year 2010-11 and the near future. The following are economic factors and assumptions that were used in developing the fiscal year 2010-11 budget:

• Property Tax collections are estimated to decrease 1.8%-2.0% from fiscal year 2009-10 levels, relatively stable compared to surrounding counties and the state overall.

• The County unemployment rate (not seasonally adjusted) was steady over the past year, measuring 8.2% as of June 30, 2010, unchanged from June 30, 2009. Statewide unemployment measured 12.2% as of June, 2010 (increasing from 11.6% from June, 2009).

• In the first negotiated contract with labor units, agreement was reached for a 0% increase in wages effective July 1, 2010. Remaining bargaining units are still in negotiation.

• The 2010-11 final budget for the General Fund represents a decrease of $5.5 million from 2009-10 – or 1.5% - primarily due to a planned decrease in expenditures across most programs as a result of revenue decreases in property and other tax revenues – as well as increases in employer pension contribution rates due primarily to -19.8% Marin County Employees Retirement Association (MCERA) investment earnings through June 20, 2009. Comparatively, CalPERS returned -23.4% for the same period.

• Over the past three years, the County has reduced 180 positions (roughly 9% of its workforce), achieving $25 million in expenditure reductions, and an additional $5 million in new revenues, to balance its budget. A hiring freeze since 2007, requiring analysis before filling vacancies to ensure consistency with long-term strategy, has enabled 90% of these position reductions to be achieved without layoffs.

• The County adopted a Long-Term Restructuring Plan in January, 2010 to adapt to the economic downturn with a focus on sustainability; identifying ongoing savings to reduce long-term costs; making service tradeoffs based on community and organizational needs; and engaging the public and employees regarding budget reductions and for addressing emerging issues.

State Funding of Counties

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

Currently, approximately 38% of the County's General Fund Budget consists of payments from other government agencies including the State of California. The financial condition of the State has an impact on the level of these revenues. In the past several years the State has turned to counties to help solve the State's budget problems. The federal government provides approximately 9% of the County's General Fund budget. The Health and Human Services department receives substantial state and federal funds for assistance payments and social services programs. The County Board has instructed the County Administrator to ensure that programs funded with intergovernmental revenues live within any reduced allocations as a primary budget management strategy.

In connection with the issuance by the State of its deficit reduction bonds under Proposition 57, the State created a dedicated revenue stream secured by certain local sales taxes through a mechanism called the "Triple Flip." Under this method, beginning in fiscal year 2004-

05, the State would take 25% of the local government 1% sales tax (cities & counties), to continue for nine years. Each January (six months into the fiscal year), the State would require that counties take property tax which was earmarked for schools and pay back the first six months of the sales tax takeaway to the local governments. The State would then have the counties pay the estimated next six months in May. The difference between the estimated and actual sales tax in one year would be corrected in the following year's payments. Then, the State, using State General Fund monies, would pay back the schools. The State repayment of County sales tax in fiscal year 2009-10 was $646,888.

In addition to the Triple Flip, which delayed the receipt of Sales Tax to local jurisdictions, the State of California cut the Motor Vehicle License Fees (VLF) that the citizens had to pay late in fiscal year 2003-04. The local share was then effectively cut by 67.5%. The State agreed to pay a VLF backfill to the local jurisdictions. This agreement has no defined end date. Again, the State had the counties take property tax from the schools to pay the local governments the VLF backfill and then the State General Fund would reimburse the schools for their lost property tax. The State payment for VLF backfill to the County for fiscal year 2008-09 was $24.3 million and in fiscal year 2009-10 was $24.7 million.

Sales Taxes

The State collects a tax on retail transactions within the County and rebates 1% to the County. The allocation is in addition to the half-cent sales tax allocated for public safety purposes pursuant to Proposition 172. Sales and use taxes contributed approximately $2.5 million to the County's General Fund revenues in fiscal year 2008-09, equating to approximately 0.6% of total General Fund revenues for that fiscal year and $2.5 million to the County's General Fund revenues in fiscal year 2009-10, again equating to approximately 0.6% of total General Fund revenues for that fiscal year. Sales and use taxes for calendar 2010 are expected to continue the downward pressure caused by the recession. The following table illustrates, for unincorporated areas of the County only, the historical taxable sales and sales tax receipts to the General Fund for the past five years as well as computed annual rate of change for such periods.

Table 3
County of Marin
Historical Taxable Sales and Sales Tax Receipts
2006-2010
(dollars in thousands)

Year	Historical Taxable Sales (1)	Sales Tax Receipts (2)	Rate of Change Sales Tax Receipts
2006	$329,581	$2,205	(15.5%)
2007	344,387	2,926	32.7%
2008	329,498	2,865	(2.1%)
2009	271,998 (3)	2,578	(10.0%)
2010	271,231 (3)	2,571	(0.3%)

Source: County of Marin Director of Finance.
(1) Taxable Sales for unincorporated areas of the County only; presented on a calendar year basis.
(2) Sales Tax Receipts are for unincorporated areas of the County only; on a fiscal year basis.
(3) Estimated.

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

Property Taxes

The County collects property taxes against all property on the secured roll in two annual installments. Property taxes are derived on the basis of an ad valorem tax levied against the current assessed valuation of property in the County. For the fiscal year ended June 30, 2010, property taxes contributed $102.7 million to the County. Of that amount, property taxes contributed approximately $92.2 million to General Fund revenues, equating to approximately 23.4% of total General Fund revenues for that fiscal year. Property tax revenues increased by $5.2 million for the 2008-09 and by $1.5 million for the 2009-10 fiscal year.

Out of the $92.3 million in the General Fund, $24.7 million pertains to property tax in-lieu of vehicle license fee, and $646,900 pertains to property tax in lieu of sales tax. See "State Funding of Counties" above. The assessed valuation of property in the County is established by the County Assessor except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIA."

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. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

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 property the taxes on which are a lien on real property sufficient in the opinion of the County Assessor to secure payment of the taxes. Other property is assessed on the "unsecured roll." Property taxes on the secured roll are due in two installments on November 1 and February 1 of each fiscal year and, if unpaid, become delinquent on December 10 and April 10 respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of one and one-half percent per month to the time of redemption plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer-Tax Collector.

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

Assessed Valuation

The following table represents a five year history of assessed valuation in the County.

Table 4
County of Marin
Assessed Value of Taxable Property

Fiscal Year	(1) Secured Roll	(2) Unsecured Roll	(3) Exemptions	Net Assessed Valuations	(4) Total Direct Tax Rate
2006	$45,027,710,448	$1,475,508,860	$1,480,651,770	$45,022,567,538	1%
2007	$49,034,109,911	$1,429,600,744	$1,591,865,759	$48,871,844,896	1%
2008	$52,421,716,072	$1,409,966,119	$1,669,047,614	$52,162,634,577	1%
2009	$55,451,069,486	$1,449,358,501	$1,731,003,722	$55,169,424,265	1%
2010	$56,421,874,227	$1,488,474,565	$1,825,609,625	$56,084,739,167	1%

Source: Marin County Property Tax Records

(1) Secured property is generally the real property, defined as land, mineral, timber, and improvements such as buildings, structures, crops, trees and vines. Also included in secured roll are unitary properties, including railroads and utilities which cross the county and are assessed by the State Board of Equalization.

(2) Unsecured property is generally personal property including machinery, equipment, office tools, supplies, mobile homes and aircraft.

(3) Exempt properties include numerous full and partial exclusions/exemptions.

(4) Article XIIIA, added to the California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value. Additionally, Proposition 13 limits the property tax rate to 1% of assessed value, plus the rate necessary to fund local voter-approved bonds and special assessments.

Tax Levies, Collections and Delinquencies

The County levies and collects all property taxes for property falling within its taxing boundaries. The County General Fund secured tax levy and year-end delinquencies for fiscal years 2005-06 through 2009-10 are shown below:

Table 5
County of Marin
Secured Tax Levies and Delinquencies
Fiscal Years 2005-06 through 2009-10

Year	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2004-05	$524,690,020	$ 5,897,575	1.12%
2005-06	577,806,084	7,732,232	1.34
2006-07	629,700,284	12,656,260	2.01
2007-08	678,352,268	17,910,865	2.64
2008-09	714,937,471	21,048,777	2.94

Source: California Municipal Statistics, Inc.

(1) County's share of County-wide secured tax levy.

The Teeter Plan

The County Board has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code.

Under the Teeter Plan, the County apportions secured property taxes on an cash basis to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and related interest and proceeds from the sales of tax-defaulted properties (which can be sold after five years of delinquency). In addition to avoiding a complex tax redemption distribution system for all taxing agencies, the Teeter Plan provides the County with a new income stream generated from the payment of penalties and interest. The County estimates that as of June 30, 2010, the total prior and current years' delinquent property taxes and assessments outstanding will be $28,700,098.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal year the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County, may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any tax levying or assessment levying agency if the rate of the secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls for that agency.

In order to finance the outstanding tax receivables at the end of any given year, the County general fund enters into an agreement with the County Treasurer to internally finance the outstanding tax receivables with the overall funds within the County treasury. This is evidenced by a signed note.

The following table represents the twenty largest taxpayers of local secured property taxes within the County:

Table 6
County of Marin
Twenty Largest Taxpayers 2009-10

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total (1)
1.	Novato FF Property LLC	Commercial	$ 275,706,000	0.50%
2.	Skywalker Properties Ltd.	Commercial	219,340,493	0.40
3.	SR Corporate Center	Commercial	128,953,018	0.23
4.	Corte Madera Village LLC	Commercial	126,606,480	0.23
5.	Northgate Mall Associates	Commercial	112,797,140	0.20
6.	Spieker Properties	Commercial	109,495,579	0.20
7.	Stellar Larkspur Partners	Apartments	95,856,626	0.17
8.	770 Tamalpais Dr. Inc.	Commercial	92,250,607	0.17
9.	Biomarin Pharmaceutical Inc.	Industrial	86,760,391	0.16
10.	Hines San Rafael LLC	Commercial	82,587,760	0.15
11.	Steven J. Scarpa	Apartments	71,203,703	0.13
12.	Strawberry Village Retail	Commercial	69,356,169	0.13
13.	Inland Western Larkspur LLC	Commercial	65,252,696	0.12
14.	Tracey Cove LP	Apartments	62,139,842	0.11
15.	JCC Cal Properties LLC	Commercial	55,243,873	0.10
16.	Stellar Corte Madera	Apartments	51,529,021	0.09
17.	Robert Dickson Trust	Commercial	44,375,323	0.08
18.	Downtown Novato Investors LLC	Commercial	43,795,448	0.08
19.	Lexington Wood Hollow	Commercial	43,058,340	0.08
20.	Tishman Speyer Archstone-Smith	Apartments	41,607,383	0.08
			$1,877,915,892	3.40%

Source: California Municipal Statistics, Inc.
(1) 2009-10 Local Secured Assessed Valuation: $55,159,327,717

Outstanding Obligations

As of June 30, 2010, the County was obligated to make payments on approximately $140,860,000 of then currently outstanding aggregate principal amount of long-term obligations payable from its General Fund.

The following table summarizes the County's outstanding long-term General Fund obligations.

Table 8
County of Marin
Long-Term General Fund Obligations

Issue Activities	Date of Issue	Final Maturity	Amount Issued	Balance at June 30, 2009
1998A Certificates of Participation (1)	7/7/98	2022	$24,725,000	$ 15,875,000
1998B Certificates of Participation (1)	7/7/98	2011	22,110,000	1,590,000
2001 Certificates of Participation	11/29/01	2014	14,100,000	11,915,000
Taxable Pension Obligation Bonds, Series 2003	5/15/03	2026	112,805,000	111,480,000
Total Long-Term General Fund Obligations				$140,860,000

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

The County is a party to equipment leases and operating leases requiring annual lease payments by the County. See APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2009.

Statement of Direct and Overlapping Debt

Contained within the County are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds. Set forth below is a statement of direct and overlapping debt as of September 1, 2010 (the "Debt Statement"), prepared by California Municipal Statistics, Inc. The Debt Statement is included for general information purposes only. The County has not reviewed the Debt Statement for completeness or accuracy and makes no representations in connection therewith.

The Debt Statement generally includes long term obligations sold in the public credit markets by public agencies other than the County whose boundaries overlap the boundaries of the County in whole or in part. Such long term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

Table 9
County of Marin
Direct and Overlapping Debt
As of September 1, 2010

2009-10 Assessed Valuation:	$56,851,129,941 (includes unitary utility valuation)
Redevelopment Incremental Valuation:	3,867,320,453
Adjusted Assessed Valuation:	$52,983,809,488

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/10	
Marin Community College District	100. %	$127,895,000	
Novato Unified School District	100.	95,020,000	
Shoreline Joint Unified School District	52.778	7,808,505	
Petaluma Joint Union High School District	1.003	316,190	
San Rafael High School District	100.	53,320,315	
Tamalpais Union High School District	100.	167,530,000	
Kentfield School District	100.	19,275,000	
Mill Valley School District	100.	39,179,602	
Reed Union School District	100.	42,685,000	
San Rafael School District	100.	61,823,301	
Other School Districts	100.	74,469,480	
Town of Fairfax	100.	6,214,000	
City of Novato	100.	19,930,000	
City of San Anselmo	100.	8,645,000	
City of Sausalito	100.	15,203,894	
Strawberry Recreation and Park District Zone No. 4	100.	1,335,000	
Public Utility Districts	100.	240,877	
County Water Districts	100.	237,000	
Community Facilities Districts	100.	91,662,113	
1915 Act Bonds	100.	24,588,058	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$857,378,335	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Marin County Pension Obligations	**100. %**	**$111,480,000**	
Marin County General Fund Obligations	**100.**	**35,909,112**	(1)
Marin County Transit District General Fund Obligations	100.	219,185	
Marin Community College District General Fund Obligations	100.	2,900,834	
Novato Unified School District Certificates of Participation	100.	495,000	
Dixie School District Certificates of Participation	100.	285,000	
San Rafael School District General Fund Obligations	100.	4,185,000	
Sausalito School District Certificates of Participation	100.	2,635,000	
City of Novato Certificates of Participation and Pension Obligations	100.	20,103,438	
Town of Corte Madera General Fund Obligations	100.	10,423,485	
Other School District General Fund Obligations	0.139-100.	1,977,995	
Other Cities and Towns Certificates of Participation	100.	17,917,267	
Marinwood Community Services District Certificates of Participation	100.	849,745	
Fire Protection District Certificates of Participation	100.	7,956,331	
Other Special District General Fund Obligations	100.	880,455	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$218,217,847	
COMBINED TOTAL DEBT		$1,075,596,182	(2)

(1) Excludes certificates of participation to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2009-10 Assessed Valuation:
Total Overlapping Tax and Assessment Debt................. 1.51%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($147,389,112)............................ 0.28%
Combined Total Debt... 2.03%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

OTHER COUNTY FINANCIAL INFORMATION

Liabilities under Self-Insurance and Risk Management

Workers' Compensation. The County is permissibly self-insured for the first $1,000,000 of workers' compensation claims per occurrence. The County provides for excess workers' compensation insurance above the $1,000,000 retention through a policy with Arch Insurance Company (AM Best Rate A XV), with statutory limits (optimum no limit coverage per claim). The independent actuarial analysis (August 2009), concludes that given program assets, as of June 30, 2009, the program is funded between 65 and 70% confidence levels.

The actuarially determined outstanding claims liability and claims including incurred but not reported claims, adjustment expense liability (at 80 percent confidence level, after recognition of anticipated investment income) as of June 30, 2009 is $18,613,000.

The following represents changes in those aggregate liabilities for the fund at June 30, 2009.

	2009	2008
Liability Balance, Beginning of Fiscal Year	$17,781,000	$17,781,000
Current year claims and changes in estimates	3,513,118	3,158,558
Claim payments	(2,681,118)	(3,158,558)
Liability Balance, End of Fiscal Year	$18,613,000	$17,781,000

General Liability. The County maintains a self-insured retention (SIR) of $1,000,000 per occurrence for its general liability program. Losses, which exceed the SIR, are covered by an excess insurance policy through Everest National Insurance Company (AM Best Rated A+ XV) first layer and Allied World National Assurance Company (AM Best Rated A XV) second layer, for combined limit of $25 Million. The independent actuarial analysis (August 2009), concludes that given program assets, as of June 30, 2009, the program is funded above the 90% confidence level.

The actuarially determined outstanding claims liability and claims including incurred but not reported claims, adjustment expense liability (at 80 percent confidence level, after recognition of anticipated investment income) as of June 30, 2009 is $5,172,000.

The following represents changes in those aggregate liabilities for the fund at June 30, 2009.

	2009	2008
Liability Balance, Beginning of Fiscal Year	$4,339,000	$4,329,000
Current year claims and changes in estimates	1,695,000	2,780,544
Claim payments	(862,000)	(2,770,544)
Liability Balance, End of Fiscal Year	$5,172,000	$4,339,000

Employees' Retirement Plan

Plan Description. The County's retirement plan is administered by the Board of Retirement of the Marin County Employees' Retirement Association (MCERA) a multiple-employer retirement system governed by the 1937 Act of the California Government Code. It covers employees eligible for membership and provides retirement, disability, death and survivor benefits based upon specified percentages of final compensation as well as annual cost-of-living adjustments after retirement. Contributions are made by both the County and the employees.

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

Funding Policy. Members are required to contribute to the County's plan, based on their age at the time of entry into the Plan. Under the provisions of the County's pension plan, pension benefits vest after five years of credited service. The County's annual contributions are actuarially determined. The following assumptions were used in the most recent actuarial valuation as of June 30, 2009.

- Real rate of return is assumed to be 4% per year.
- Cost of Living Adjustment is capped maximum at 3.8%
- Rate of salary increase is assumed to be 4% for the general plan and safety plan

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

Annual Pension Cost. For the fiscal year ended June 30, 2008, the County's annual pension cost was $39,656,000.

Funding of the Plan is determined under the "entry age normal" method, which provides for funding of annual normal cost and the unfunded prior service costs over a period of 21 years. This includes amortization of the unfunded present value of credited projected benefits. All administrative costs of the system are borne by MCERA.

Three-Year Trend Information (in thousands)

Year Ending June 30:	Annual Pension Cost (APC)	Percentage of APC Contributed
2008	$39,656	100.0%
2007	42,416	100.0%
2006	36,870	100.0%

In addition to the annual required contribution, the County recognized an additional expense of $4,700,210, the current year amortization relating to the County's net pension asset. The change in the pension asset is as follows:

Net pension asset, beginning of year	$89,303,950
Net pension asset, end of year	$84,603,740

Funded Status of County Defined Benefits Pension Plan (in thousands)

Valuation Date (Most Recent Data Available) June 30:	Actuarial Value of Plan Assets	Actual Accrued Liability	Unfunded Accrued Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$1,111,115	$1,280,206	$169,091	86.80%	$173,735	97.33%
2007	$1,013,543	$1,141,736	$128,193	88.80%	$159,177	80.50%
2006	$ 908,767	$1,090,344	$181,578	83.00%	$149,527	121.40%

Other (than pensions) Postemployment Benefits (OPEB) Plan

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

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

- For retirees hired before October 1, 1987 (Plan 1), the County pays 100% of the eligible retiree's single health plan premiums.
- For retirees hired between October 1, 1987 and September 30, 1993 (Plan 2), the County pays the retiree's single health plan premiums up to $2,275 per year.
- For retirees hired between October 1, 1993 and December 31, 2007 (Plan 3), the County pays the retiree's single premium up to a dollar cap based on years of service at retirement, where the dollar cap is reviewed each year. Through January 1, 2007 the cap was increased to cover single Blue Cross Prudent Buyer Classic and Delta Dental premiums. Due to the amount of unfunded liability the County faces, the Board of Supervisors has implemented a policy to limit annual increases in the maximum allocation for Plan 3 to no more than 3%, subject to annual approval regarding whether any increase will be granted and, if so, the amount of the increase.
- For retirees hired on or after January 1, 2008 (Plan 4), the County pays $150 per year of service up to $3,000 per year for the retiree's single health plan premiums only.
- Retirees eligible for Plans 1 and 2 may elect Plan 3 instead; and retirees eligible for Plans 1, 2, or 3 may elect Plan 4 instead.
- Certain of the County's medical plans have premium structures that result in subsidies of retiree claim costs from premiums paid for employees by the County.

Funding Policy. Contribution policy is determined by the County. The County's Plan has been funded on a pay-as-you-go basis. For fiscal year 2008-09, the County contributed $11,031,301 in premium payments for retirees.

In addition, the County is studying various options for prefunding the Plan and has set aside cash in the General Fund for that purpose. As of June 30, 2009, the total set aside for retirement rate stabilization is $4,000,000.

Annual Other Postemployment Benefit Cost and Net Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a rolling period not to exceed thirty years. Both the ARC and the Funded Status information have been based on the assumption that the Plan 3 cap would increase over time to cover increases in Blue Cross Prudent Buyer Classic and Delta Dental premiums.

The 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	$ 41,265,000
Interest on net OPEB obligation	1,568,850
Adjustment to annual required contribution	—
Annual OPEB cost (expense)	42,833,850
Benefit payments made (adjusted for mid-year payment)	(11,031,301)
Increase in net OPEB obligation	31,802,549
Net OPEB obligation - beginning of year	31,377,000
Net OPEB obligation - end of year	$63,179,549

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

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	End of Year Net OPEB Obligation
2009	$42,833,850	25.75%	$63,179,549
2008	$41,265,000	24.00%	$31,377,000

Funded Status. The July 1, 2005, funded status was:

Actuarial Accrued Liability (AAL)	$ 378,183,000
Actuarial Value of Plan Assets	—
Unfunded Actuarial Accrued Liability (UAAL)	378,183,000
Funded Ratio (Actuarial value of plan assets/AAL)	0%
Covered Payroll (active plan members)	129,763,000
UAAL as a Percentage of Covered Payroll	291.4%

Actuarial Methods and Assumptions. Actuarial calculations reflect a long-term perspective. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

Actuarially determined amounts are subject to constant revision as actual results are compared to past expectations and new estimates are made about the future.

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

In the June 30, 2005 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses) and a 4.0% inflation rate. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on the MCERA June 30, 2005 actuarial valuation assumptions.

The unfunded actuarial accrued liability was amortized over an open period of 30 years as a level percentage of payrolls.

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

Actuarial Valuation Date:	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/05	$ --	$310,945	$310,945	0%	$ 129,763	239.6%

Investments of County Funds; County Pool

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

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

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

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

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

As of June 30, 2010, the County Investment Pool had $789,963,320.71 in assets under management. The portfolio structure of the County Investment Pool as of June 30, 2010, was as follows:

Local Agency Investment Fund	$ 232,759.85
Money Market Funds	20,018,266.88
Federal Agency Issues – Coupon	261,222,350.83
Federal Agency Issues – Discount	508,489,943.15
TOTAL	$789,963,320.71

The average days to maturity as of June 30, 2010, were 281 days.

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

In 1994, the County received its first rating from Fitch Ratings ("Fitch") on the County Investment Pool, which have been reaffirmed periodically by Fitch, most recently in October 2009. The current Fitch rating on the County Investment Pool is "AAA/V1+." The County Investment Pool's "AAA" rating reflects the high credit quality of the portfolio assets, appropriate management oversight and operational capabilities. The pool's "V1+" volatility rating reflects low market risk and a capacity to return stable principal value to participants, as well as to meet anticipated cash flow needs, even in adverse interest rate environments. Portfolio valuation reports are submitted to Fitch on a monthly basis.

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

For additional information concerning the County investments, see APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2009, and APPENDIX C—COUNTY STATEMENT OF INVESTMENT POLICY.

Labor Relations

There are 11 formal labor units, listed in Table 10 below, representing County employees. Supervisors, management, confidential employees, certain attorneys and certain other employees are not represented by an exclusive bargaining agent. Salaries and benefits are determined through a process of "meet and confer" with representatives from each of these classifications. The aggregate total of represented employees is 2,931, though the County budgets just over 2,100 full-time equivalent (FTE) positions. The aggregate total of non-represented employees is 352. All employees' salaries are subject to periodic renegotiation.

Table 10
County of Marin
Labor Relations

Labor Organization	Contract Expiration
IATSE Local 16	6/30/10
Marin County Deputy Sheriff's Association	6/30/11
Marin County Fire Operations Battalion Chiefs' Association	6/30/11
Marin County Fire Department Firefighters' Association	6/30/11
Marin County Management Employees' Association	6/30/12
Marin County Probation Manager's Association	6/30/10
Marin County Sheriff's Staff Officers' Association	6/30/11
Marin Association of Public Employees	6/30/10
SEIU Local 1021 – Nurses	6/30/10
Teamsters Local 856 – Deputy Probation Officers	6/30/10
Teamsters Local 856 – Deputy DA's	6/30/11

Source: County of Marin.

THE AUTHORITY

The Authority is a joint exercise of powers authority duly formed under a Joint Exercise of Powers Agreement dated as of June 1, 1991, and entered into by the County and the Marin County Redevelopment Agency (the "Members") pursuant to the laws of the State. The Authority was formed for the purpose of providing a vehicle for the financing or refinancing of all or a prescribed portion of the cost and expense of acquisition, construction and installation of authorized public capital improvements of the Members through any financing procedure legally available to the Members. The Authority has determined to provide assistance to the County by entering into the Lease Agreement, the Assignment Agreement and the Trust Agreement in order to provide for the financing of the 2010 Projects and the refunding of the 1998 Certificates.

RISK FACTORS

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

Limited Obligations with Respect to the Certificates

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

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

Real Estate Volatility

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

Abatement

The Lease Agreement provides that the obligation of the County to pay Lease Payments will be abated during any period in which, by reason of any damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Property, there is substantial interference with the County's right to use and possession of such portion of the Property. Such abatement will continue with such damage, destruction or taking and end with the substantial completion of the replacement or repair; provided, however, that during abatement, available moneys on deposit in the Reserve Fund and the Lease Payment Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, will be applied to pay the Lease Payments. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance" and "SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement." In the event that the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the County's rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of the Property or a redemption of the Certificates in whole (see "THE CERTIFICATES—Redemption—Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award"), a default on the Certificates may occur if there is an insufficient amount of funds in the Reserve Fund to make up for the deficit.

Risk of Uninsured Loss

The County covenants under the Lease Agreement to maintain certain insurance policies on the Property. These insurance policies do not cover all types of risk. The Property could be damaged or destroyed due to a casualty for which the Property is uninsured. Additionally, the Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the County's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. There can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to redeem the Certificates.

County General Fund

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

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

State Finances

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

Limited Recourse on Lease Agreement Default

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

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

Limitations on Remedies

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

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

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

Investment of Funds

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

Future Initiative and Legislation

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

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates, the County has covenanted to comply with the applicable requirements of section 148 and certain other sections of the Internal Revenue Code of 1986, as amended, relative to arbitrage and avoidance of characterization as private activity bonds, among other things. The interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of execution and delivery of the Certificates as a result of acts or omissions of the County in violation of its covenants. Should such an event of taxability occur, the Certificates are not subject to acceleration, redemption or any increase in interest rates and will remain Outstanding until maturity or until redeemed under one of the redemption provisions contained in the Trust Agreement. See "TAX MATTERS."

Secondary Market

There can be no assurance that there will be a secondary market for the Certificates, or if a secondary market exists, that such Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, pricing of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could substantially differ from the original purchase price.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIIIA

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

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

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

Article XIIIB

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

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in May 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income, 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 ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

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

The County Board adopted the annual appropriation limit for the fiscal year 2009-10 of $253,863,370. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the 2009-10 Adopted Budget, the funds subject to limitation total $125,179,325 (total General Operating Budget minus non-proceeds of taxes and debt service) and are $128,684,045 below the Article XIIIB limit.

Proposition 46

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

Proposition 62

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

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al*. In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. The portion of the County's taxes subject to Proposition 62, including the County's transient occupancy tax, is in compliance with Proposition 62 requirements.

Proposition 218

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

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

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

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

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

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

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

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

Proposition 1A (2004)

Proposition 1A (2004), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A (2004) 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 State Legislature. Proposition 1A (2004) provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A (2004) also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A (2004) 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.

Through the adoption of the 2009-10 fiscal year Budget, the State elected to suspend Prop 1A payments to cities, counties, and special districts. The State adopted legislation allowing the California Statewide Communities Development Authority ("CSCDA") to securitize those receivables. The State agreed to cover all issuance expenses so that the agencies would receive 100% of the suspended Prop 1A monies. The County enrolled and obtained County Board adoption of resolutions and sales agreements for the County, acting in behalf of itself and its component, the Marin Free Libraries, as well as the Marin County Water Resources Agency and its component zones. Since County Service Areas are considered separately contracting special districts, a separate resolution, sales agreement, opinion of counsel, and take down opinion, as well as numerous other documents would be required for each. Some CSAs had Prop 1A suspensions of as little as $11 and a total applicable to the group as a whole of approximately $33,000, the County determined that those CSAs could function until the state repays those funds in three years.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

STATE OF CALIFORNIA BUDGET INFORMATION AND FEDERAL STIMULUS INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the LAO 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 or the Underwriter, and the County and the Underwriter take 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.

The 2009-10 State Budget

The State Budget Package. On November 5, 2008, a special session of the State Legislature was called to deal with a budget deficit that had arisen since the 2008-09 budget was adopted, principally as a result of a shortfall in revenues. This special session extended through February 19, 2009, at which time the Legislature voted to approve a budget package (the "State Budget Package") addressing the State's multi-year $42 billion deficit, which included $15 billion in State spending reductions, $12.8 billion in temporary tax increases (including an increase in the vehicle license fee and an increase in State sales and income taxes), $11.4 billion in borrowing and a $1 billion reserve. The State Budget Package included revisions to the 2008-09 budget and adoption of the 2009-10 budget, covering a 17-month period ending July 1, 2010, addressing spending reductions, revenue increases, economic stimulus and increasing governmental efficiency. Certain measures required voter approval at a special statewide election held on May 19, 2009. The Governor signed the State Budget Package on February 20, 2009.

Key provisions of the State Budget Package included approximately $7.4 billion in reductions in Proposition 98 funding in fiscal year 2008-09 achieved through $2.4 billion in program reductions and $5 billion in Proposition 98 funding deferrals and fund swaps (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Expenditures and Appropriations" for information on Proposition 98 funding). The State Budget Package provided for total Proposition 98 funding of $54.9 billion in fiscal year 2009-10. To mitigate education program reductions, the State Budget Package provided for categorical funding flexibility over 5 years, allowing the transfer of funds from 40 categorical programs to the general fund, commencing in 2008-09. In addition, categorical ending balances could be used for general purpose activities in fiscal year 2008-09 and 2009-10 with certain exclusions.

The May Proposal. On May 14, 2009, the Governor released a proposed revision to the State Budget Package (the "May Proposal"). (Typically, the May Proposal proposes changes to the budget proposed by the Governor in January; however, with the State Budget Package signed in February 2009 including a budget for fiscal year 2009-10, the May Proposal proposed changes to the previously enacted State Budget Package). The May Proposal identified a $21 billion projected budget shortfall arising since the State Budget Package was enacted. The $21 billion shortfall was due to 1) updated estimates reducing expected revenues in fiscal years 2008-09 and 2009-10 by $12.5 billion, 2) the rejection by voters of the propositions on the May 19, 2009 ballot resulting in a $5.8 billion shortfall, and 3) $3.1 billion of other changes including lower property taxes leading to increased Proposition 98 funding requirements. To address the shortfall, the Governor proposed $21 billion of solutions, including $10 billion of spending reductions, $7.5 billion of borrowing, and $3.5 billion of revenue actions. Significant spending reductions included, among other items, reducing fiscal years 2008-09 and 2009-10 Proposition 98 funding by $5 billion.

The 2009-10 State Budget Revision. On July 1, 2009, the State entered the 2009-10 fiscal year without significant revisions to the State Budget Package. In response, the Governor declared a fiscal emergency and called a special session of the State Legislature in order to address the projected 2009-10 budget deficit. Additionally, the State began to issue warrants in lieu of cash payments to certain vendors. Although the State Constitution requires the public school system receive the first distribution of moneys from all State revenues, there can be no assurance that the State's financial difficulties will not result in payment delays to K-14 education agencies.

On July 28, 2009, the Governor signed the 2009-10 budget revision bill package (the "2009-10 State Budget Revision") into law. The 2009-10 State Budget Revision incorporated $23.7 billion in budget solutions, including K-14 spending reductions of $6.5 billion, health spending reductions of $2.3 billion, higher education spending reductions of $2.0 billion, local government and employee compensation reductions of $1.8 billion each, other spending reductions of $3.6 billion, increased revenues of $3.5 billion, and additional borrowing of $2.2 billion. Fiscal year 2009-10 State general fund expenditures in the Budget Revision are $84.6 billion, further reduced from the proposed May Proposal figure of $91.0 billion, with an ending reserve of approximately $500 million.

Somewhat offsetting the reductions in the State budget is the impact of the American Recovery and Reinvestment Act signed into federal law on February 17, 2009. A report issued by the entitled "Federal Economic Stimulus Package: Fiscal Effect on California" estimates that the State will receive over $31 billion in aid and billions more in competitive grants. The California Legislative Analyst's Office estimates that about $29.8 billion of these funds will be available in 2008-09 and 2009-10 to relieve the State's budgetary problems. Of this amount, education-related programs will receive nearly $8 billion. The full text of the Budget Revision and other information concerning the 2009-10 State budget may be found at the State Department of Finance website, www.dof.ca.gov.

The Proposed 2010-11 State Budget; May Revision

Overview. On January 8, 2010, the Governor released his proposed 2010-11 State budget. With billions of dollars of temporary budget solutions implemented in 2009-10 set to expire and the State economy recovering slowly, the Governor projected, at that time, a General Fund deficit of $18.9 billion at the end of fiscal year 2010-11 without corrective action. The Governor declared a state of fiscal emergency on January 8, 2010, calling the State Legislature into special session to begin taking action on his proposed solutions. The solutions adopted in the special session, combined with additional federal funds and administrative actions, slightly reduced the size of the projected deficit.

In March 2010, additional payment deferrals from the State to K-12 school districts for fiscal year 2010-11 were enacted in a series of bills as part of legislation to provide additional cash management flexibility to the State (the "Cash Management Bills"). The Cash Management Bills authorize deferral of certain payments during fiscal year 2010-11 for school districts not to exceed $2.5 billion in aggregate at any one time.

On May 14, 2010, the Governor released his revision to the proposed 2010-11 State budget (the "2010-11 May Revision"). The Governor projected a General Fund deficit of $17.9 billion by the end of fiscal year 2010-11 without corrective action; this figure is comprised of a fiscal year 2009-10 shortfall of $7.7 billion and a fiscal year 2010-11 shortfall of $10.2 billion. The 2010-11 May Revision includes $19.1 billion in budget solutions for fiscal years 2009-10 and 2010-11 to create a $1.2 billion reserve. Approximately 66% of the Governor's budget solutions relies on program spending reductions, approximately 18% relies on funding or flexibility to be provided by actions of the federal government, approximately 11% consists of various fund shifts, some of which require voter approval, and less than 5% consists of new revenues.

The 2010-11 May Revision projects that the State will have sufficient cash to repay the entire $8.8 billion of revenue anticipation notes in May and June 2010 as scheduled. In addition to budget solutions, the State will need to obtain external financing early in fiscal year 2010-11. Additional cash solutions may be required to reduce the need for external borrowing. At the Governor's direction, the State Department of Finance has begun working with the State Controller's Office and the State Treasurer's Office to develop additional cash solutions as needed to meet the State's financial obligations.

The State General Fund. State General Fund expenditures are proposed to be $83.4 billion in fiscal year 2010-11 in the 2010-11 May Revision, a decrease of 3.5% from a revised fiscal year 2009-10 State General Fund expenditures estimate of $86.5 billion. State General Fund revenues are proposed to be $91.5 billion in fiscal year 2010-11, an increase of 5.7% from a revised fiscal year 2009-10 State General Fund revenues estimate of $86.5 billion. The fiscal year 2010-11 year-end reserve is proposed to be $1.2 billion, or 1.4% of the General Fund revenues.

The following table identifies historical and proposed State General Fund revenues and expenditures.

State General Fund Under the 2010-11 Proposed State Budget
(Dollars in Millions)

	2008-09 Final	2009-10 Estimated	2010-11 Proposed
Prior Year Fund Balance	$2,314	($5,361)	($5,305)
Revenues and Transfers	82,772	86,521	91,451
Total Resources Available	$85,086	$81,160	$86,146
Expenditures	90,940	86,465	83,404
Ending Fund Balances	($5,855)	($5,305)	$2,742
Encumbrances	1,537	1,537	1,537
Reserve	($7,391)	($6,842)	$1,205

Source: State Legislative Analyst's Office.

The $19.1 billion of budget solutions for fiscal years 2009-10 and 2010-11 incorporated in the 2010-11 May Revision includes:

- Reducing Proposition 98 spending, including elimination of child care ($4.3 billion)
- Reducing State employee pay and staffing, and shift pension costs of employees ($2.1 billion)
- Eliminating CalWORKs program, which provides welfare-to-work services to low-income families ($1.2 billion)
- Implementing various changes to Medi-Cal ($0.9 billion)
- Reducing inmate medical care costs ($0.8 billion)
- Reducing In-Home Support Services ($0.8 billion)
- Reducing county mental health realignment funds by 60% ($0.6 billion)
- Federal funding flexibility in Medi-Cal and other programs ($3.4 billion)
- Loans, loan extensions, transfers and funding shifts ($2.6 billion)
- Scoring additional revenues ($0.9 billion)

Legislative Analyst's Office Comments. The State Legislative Analyst's Office commented that the revenue and expenditure assumptions in the 2010-11 May Revision are realistic, though it noted that the State Legislature has placed an $11 billion water bond proposal on the November 2010 ballot. It is anticipated that the ballot will include 10 initiatives; if approved by the voters, certain measures could improve the State budget situation, while others could reverse budget-balancing decisions. Further, the State Legislative Analyst's Office expressed concerns regarding the legality of the proposed Proposition 98 re-benching and the ability of the State to support the proposed K-14 funding levels.

The full text of the 2010-11 May Revision may be found at the State Department of Finance website, www.dof.ca.gov, and the Legislative Analyst's Office overview of the 2010-11 May Revision may be found at www.lao.ca.gov.

Future Budgets

The County cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the County will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the County.

For more information on the State Budget, please refer to the California Department of Finance's website at www.dof.ca.gov and/or to the Legislative Analyst's Office's website at www.lao.ca.gov. Neither the County nor the Underwriter assumes any responsibility for the accuracy of any information presented on the aforementioned websites.

Federal Stimulus Information

The County anticipates approximately $12.1 million in total American Recovery and Reinvestment Act of 2009 ("ARRA") federal stimulus funding since FY 2008-09. The largest allocations are in Health & Human Services programs ($6.8 million) and for local road projects ($4.6 million). In total, approximately $7 million has been received thus far. The amounts actually received by the County may be more or less than the amounts currently anticipated.

ABSENCE OF LITIGATION

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

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the County has entered into an agreement with U.S. Bank National Association, as Trustee and Dissemination Agent (the "Dissemination Agent"), for the benefit of holders of the Certificates to provide certain financial information and operating data relating to the County and the balances of funds relating to the Certificates, by not later than April 1 of each fiscal year commencing with the report for the 2009-10 fiscal year (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, if deemed by the County to be material. The Annual Information and notices of material events will be filed by the County or the Dissemination Agent, with the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access ("EMMA") system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The County has, in the past, filed reports that do not sufficiently meet the continuing disclosure requirements of the 1998

Certificates, or, in some cases, has failed to make the required filings. The County has made a reasonable effort to become current on its continuing disclosure requirements. On a going forward basis, the annual reports will be filed on behalf of the County by the Trustee, as dissemination agent.

FINANCIAL ADVISOR

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

LEGAL MATTERS

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

UNDERWRITING

The Certificates were sold, by competitive bidding on September 28, 2010, to _____________ (the "Underwriter") at a true interest rate of ____%. The purchase price to be paid by the Underwrite is $________ (equal to the principal amount of the Certificates of $___________, plus/less a net original issue premium/discount of $__________. The Underwriter intends to offer the Certificates to the public initially at the prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

RATINGS

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

FINANCIAL STATEMENTS

The County's Audited Financial Statements for fiscal year ended June 30, 2009, which include the County's 2008-09 audited financial statements and the Independent Auditor's Report issued by the Auditor regarding such financial statements, are set forth in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2009. The Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

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

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

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

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

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

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

COUNTY OF MARIN

By ______________________________________
County Administrator

APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY

Population

With an area of 606 square miles (including 201 square miles of public lands and 86 square miles of water/wetlands), and a January 1, 2010, population of approximately 260,651, the County's population is one of the most stable in the Bay Area. The table below illustrates the relative increase in population in the County, the State of California and the nation since 2000.

COUNTY OF MARIN, STATE OF CALIFORNIA AND UNITED STATES POPULATION

Year	County of Marin (1)	% Change	California (1)	% Change	United States (2)	% Change
2000	247,289	--	33,873,086	--	281,421,906	—
2001	248,903	0.64%	34,430,970	1.65%	285,039,803	1.29%
2002	249,813	0.36	35,063,959	1.84	287,726,647	0.94
2003	250,453	0.25	35,652,700	1.68	290,210,914	0.86
2004	250,840	0.15	36,199,342	1.53	292,892,127	0.92
2005	251,634	0.32	36,676,931	1.32	295,560,549	0.91
2006	252,963	0.53	37,087,005	1.12	298,362,973	0.95
2007	254,532	0.63	37,463,609	1.04	301,290,332	0.98
2008	256,640	0.78	37,871,509	1.10	304,059,724	0.92
2009	258,602	0.82	38,255,508	1.08	307,006,550	0.97
2010	260,651	0.79	38,648,090	1.03	Not Available	

(1) Population shown as of January 1 of every year, except for 2000 which is shown as of April of that year.
(2) Population shown as of July 1 of every year, except for 2000 which is shown as of April of that year.
Sources: California Department of Finance for information relating to the County and the State, and the United States Census Bureau for information relating to the United States.

Employment

The County's unemployment rate has consistently been one of the lowest in California, and continues to be among the lowest level of all Bay Area Counties at 9.0% as of June 2010, compared to the State unemployment level of 12.3% during the same month. The table below illustrates unemployment levels in the County compared to State and national unemployment levels for the past five years.

COUNTY OF MARIN, STATE OF CALIFORNIA AND UNITED STATES CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES (1)

Year	Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2005	County	129,300	124,300	5,000	3.9%
	State	17,544,800	16,592,200	952,600	5.4
	United States	149,320,000	141,730,000	7,591,000	5.1
2006	County	131,300	126,700	4,600	3.5%
	State	17,718,500	16,851,600	866,900	4.9
	United States	151,428,000	144,427,000	7,001,000	4.6
2007	County	132,700	127,900	4,800	3.6%
	State	17,970,800	17,011,000	959,800	5.3
	United States	153,124,000	146,047,000	7,078,000	4.6
2008	County	133,000	126,800	6,200	4.7%
	State	18,251,600	16,938,300	1,313,200	7.2
	United States	154,287,000	145,362,000	8,924,000	5.8
2009	County	132,100	121,700	10,300	7.8%
	State	18,250,200	16,163,900	2,086,200	11.4
	United States	154,142,000	139,877,000	14,265,000	9.3

Source: California Employment Development Department for County and State figures. United States Bureau of Labor Statistics for United States figures.

Personal Income

The County enjoys one of the highest levels of effective buying income in the Bay Area and in the entire United States. The table below compares the County effective income with that of the State and the United States.

COUNTY OF MARIN, STATE OF CALIFORNIA AND UNITED STATES
EFFECTIVE BUYING INCOME

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2005	Marin County	$ 9,505,593	$61,624
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	Marin County	$ 10,057,702	$64,365
	California	764,120,962	46,275
	United States	6,107,092,244	41,255
2007	Marin County	$ 10,585,120	$67,799
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Marin County	$ 10,769,315	$68,816
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Marin County	$ 10,508,733	$71,591
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: Nielsen Claritas, Inc.

Major Employers Within the County

The table below demonstrates the scope and diversity of the County's 25 largest employers.

COUNTY OF MARIN TWENTY FIVE LARGEST EMPLOYERS

Entity	Location	Type of Business
Autodesk Inc.	San Rafael	Computer Software-Manufacturers
Bay Area Sea Kayakers	San Rafael	Membership Sports & Recreation Clubs
Cagwin & Dorward Landscape	Novato	Landscape Contractors
California Alpine Club	Mill Valley	Wedding Chapels
College of Marin	Kentfield	Schools-Universities & Colleges Academic
Corrections Dept	San Quentin	State Govt-Correctional Institutions
Dominican University of California	San Rafael	Schools-Universities & Colleges Academic
Fireman's Fund Insurance Co	Novato	Insurance
Kaiser Permanente Medical Ctr	San Rafael	Hospitals
Leon's Bar B'Q Inc	Mill Valley	Food Products-Retail
Macy's	Corte Madera	Department Stores
Marin Community College	Kentfield	Schools-Universities & Colleges Academic
Marin County Health & Human	San Rafael	County Government-Social/Human Resources
Marin General Hospital	Greenbrae	Hospitals
Marin Group	Sausalito	Product Development & Marketing
Marin Independent Journal	Novato	Newspapers (Publishers/Mfrs)
MHN Inc	San Rafael	Health Plans
Nordstrom	Corte Madera	Department Stores
Novato Community Hospital	Novato	Hospitals
Renewal by Andersen	San Rafael	Windows
San Rafael Human Resources	San Rafael	Government Offices-City, Village & Twp
Sonnen Motorcars-Audi-VW	San Rafael	Automobile Dealers-New Cars
Township Building Svc Co	Novato	Janitor Service
Westamerica Bank	San Rafael	Banks
YMCA	San Rafael	Youth Organizations & Centers

Source: State of California Employment Development Department.

Employment by Industry

Over the past several decades, the County has evolved from a bedroom community for San Francisco businesses to a more self-sufficient, diversified business community. The County has developed a community of small entrepreneur businesses that are service, professional, technical and scientific in operation. The table below illustrates the continued growth of the County's employment base and the contribution of the key economic sectors.

COUNTY OF MARIN
WAGE AND SALARY EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGE

	2004	2005	2006	2007	2008
Industry Employment					
Total Farm	700	600	700	500	500
Total Nonfarm	108,900	108,200	108,000	108,500	109,000
Subtotal	109,700	108,800	108,700	109,000	109,500
Goods Producing					
Manufacturing	2,600	2,500	2,400	2,100	2,100
Other	8,600	8,500	8,000	8,400	8,000
Subtotal Goods Producing	11,200	11,000	10,400	10,500	10,100
Service Providing					
Trade, Transportation and Utilities	19,200	18,800	18,300	18,500	18,300
Information	3,300	3,100	2,200	2,400	2,300
Financial Activities	9,400	9,300	9,200	8,800	8,200
Professional and Business Services	18,600	18,500	19,600	19,500	20,300
Education and Health Services	15,500	15,600	15,800	15,700	16,100
Leisure and Hospitality	12,700	12,600	12,700	13,000	13,400
Other	4,900	4,600	4,800	5,000	5,000
Government	14,400	14,700	15,000	15,100	15,500
Subtotal Service Providing	97,700	97,200	97,600	97,900	98,900

Source: California Employment Development Department.

Construction Activity

The level of construction activity in the County as measured by total building permit valuations and the annual unit total of new residential and nonresidential permits since 2005 are shown below.

COUNTY OF MARIN BUILDING PERMIT ACTIVITY

	2005	2006	2007	2008	2009
Valuation (in thousands)					
Residential	$326,433	$242,107	$279,504	$220,551	$200,127
Non-residential	76,122	95,262	112,538	202,478	115,501
Total Valuation	$402,555	$337,369	$392,042	$423,029	$315,627
New Dwelling Units:					
Single Family	326	155	151	147	65
Multiple Family	150	51	10	25	97
Total Units	476	206	161	172	162

Source: Construction Industry Research Board

Commercial Activity

The following table presents retail and total taxable transactions for the County from 2004 through 2008.

COUNTY OF MARIN
TAXABLE TRANSACTIONS BY SECTOR
(Amount in Thousands)

	2004	2005	2006	2007	2008 (1)
Apparel Stores	$ 147,996	$ 155,305	$ 156,944	$ 163,447	$ 201,280
General Merchandise Stores	443,059	446,920	461,184	460,821	402,168
Specialty Stores	458,035	479,661	490,874	-- (2)	-- (2)
Food Stores	188,711	195,817	201,870	209,609	213,437
Eating and Drinking Places	382,842	395,421	409,938	435,046	442,979
Home Furnishings and Appliances	199,625	209,690	202,529	199,860	206,525
Building Materials	336,812	337,508	338,773	329,500	277,548
Automotive	841,368	864,068	896,243	608934	486,808
Service Stations	-- (3)	-- (3)	-- (3)	308446	337,412
Other Retail Stores	75,895	81,353	86,441	585,804	505,997
Total Retail Stores	$3,074,343	$3,165,743	$3,244,796	$3,301,467	$3,074,694
Business and Personal Services	186,793	191,287	180,523	184,488	199,636
All Other Outlets	792,379	814,414	859,945	911,226	884,569
Total All Outlets(3)	$4,053,515	$4,171,444	$4,285,264	$4,397,181	$4,158,899

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Most recent annual data available.
(2) Starting 2007, Specialty Stores Group is included in All Other Retail Stores Group; Service Stations is reported separately from Automotive.
(3) Totals may not add up due to independent rounding.

Education

The number of public schools in the County are provided in the table below. For the 2008-09 academic year, approximately 29,550 students were enrolled in grades K through 12 in the public schools in the County.

COUNTY OF MARIN NUMBER OF PUBLIC SCHOOLS
(Academic Year 2008-09)

Level	No. of Schools
Elementary Schools (K-8)	45
Middle/Junior High Schools (6-8)	11
High Schools (9-12)	9
Continuation Schools	2
Alternative Education, Independent Study	6
Charter Schools	2
Total	75

Source: Marin County Office of Education.

Community colleges in California are locally operated and administered. They offer Associate of Arts and Associate of Science degrees and have extensive vocational curricula. There is one community college district in the County, the Marin Community College District, known as the College of Marin, with an enrollment of approximately 9,000 credit and noncredit students at two campuses in the cities of Kentfield and Novato. The Dominican University of

California, a four year private university with more than 2,000 undergraduate and graduate students, is located in the City of San Rafael, in the County.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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COUNTY OF MARIN

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by: Department of Finance

COUNTY OF MARIN
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

Table of Contents

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Marin, California, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marin County Redevelopment Agency, the Housing Authority of the County of Marin, and the Marin County Transit District, which represent the following percentages of assets and revenues/additions as of and for the fiscal year ended June 30, 2009:

Opinion Unit	Assets	Revenues/ Additions
Governmental Activities	.16%	.39%
Business-Type Activities	82.85%	84.28%
Aggregate Remaining Fund Information	.19%	.15%

Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marin County Redevelopment Agency, the Housing Authority of the County of Marin, and the Marin County Transit District is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion.

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

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Marin, California, as of June 30, 2009, and the respective changes in financial position and cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2010, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD & A), and the required supplementary information, as listed in the table of contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gallina LLP

Roseville, California
August 17, 2010

MANAGEMENT’S DISCUSSION AND ANALYSIS

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The information in this section is not covered by the Independent Auditor's Report, but is presented as required supplementary information for the benefit of the readers of the annual financial report.

As management of the County of Marin, California, (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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which immediately follow this section.

I. FINANCIAL HIGHLIGHTS

Government-wide financial analysis

The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $1,566 million (net assets):

- $1,368 million represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets (invested in capital assets, net of related debt).

- $106 million is available for the County's ongoing obligations related to programs with external restrictions (restricted net assets).

- $92 million is available to fund County programs for citizens and debt obligations to creditors (unrestricted net assets).

The County's total net assets decreased by $31 million over the prior year:

- The $1.8 million increase in net assets invested in capital assets, net of related debt, represents capital purchases less depreciation plus the retirement of related long-term debt. See further discussion of capital assets and long-term debt on pages 18-20.

- The $7.6 million increase in restricted net assets represents the change in resources that are subject to external restrictions on their use, and is detailed in the government-wide financial analysis section on pages 7-8.

- The $40.7 million decrease in unrestricted net assets is the change in resources available to fund County programs to citizens and debt obligations to creditors. This change is further discussed on page 9.

Financial analysis of the County's funds

The County's governmental funds combined fund balance decreased $5.1 million from that of the prior year, resulting in an ending fund balance of $289.5 million. Of this amount approximately 84%, or $245 million, is available for spending.

Unreserved fund balance for the General Fund increased $473,797 to $143.2 million, which equates to 39% of total General Fund expenditures for the year.

Capital assets and debt administration

The County's investment in capital assets (net of accumulated depreciation) increased $5.9 million to $1,460.3 million. During the current fiscal year, the County completed its new *Health and Wellness Center* at a total cost of $60.9 million, of which $ 21.5 million of construction cost started in fiscal year '07, and $20.4 million in '08, and $19 million in '09. The County recorded depreciation of $22.1 million against its assets.

The County's total outstanding balance on long-term debts (e.g. bonds, loans, certificates of participation, and capital leases) decreased $3.3 million, or 1.5%, to $217 million.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the County's basic financial statements. The County's basic financial statements include three components:

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

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

Government-wide Financial Statements

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

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are a useful indicator of an improving or deteriorating County financial position.

The statement of activities presents the most recent fiscal year changes in the County's net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statement reports items resulting in cash flows in the future fiscal periods (e.g. uncollected taxes, and earned but unused vacation leave) as revenues and expenses in this statement.

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

Component units are included in the financial statements and are legally separate entities for which the County is financially accountable. These have substantially the same governing board as the County or provide services entirely to the County. They include County Service Areas, Flood Control and Water Conservation Districts, Lighting Districts, Permanent Road Maintenance and Sewer Maintenance Districts, In-Home Supportive Services Public Authority, the Marin County Redevelopment Agency, Marin County Transit, and the Marin Housing Authority.

Pages 24-26 of this report display the government-wide financial statements.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The County's funds are divided into three categories:

- Governmental funds
- Proprietary funds
- Fiduciary funds

Governmental funds account for essentially the same functions reported as governmental activities in the *government-wide* financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the County's near-term financing requirements. The governmental funds' focus is narrower than that of the government-wide financial statements. To understand the long-term impact of the County's near-term financing decisions, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The reconciliations of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide financial statements facilitate the comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the *General Fund* and *Flood Control and Water Conservation Districts*, both considered major funds. Data for the other governmental funds are combined into a single aggregated presentation. The County adopts an annual appropriated budget for all of its operating funds. The schedules of budget-to-actual comparison for the *General Fund* as well as the *Flood Control and Water Conservation Districts* can be found at required supplementary information (RSI) section of this report on pages 71 and 72. Pages 27-30 of this report display the governmental funds financial statements.

Proprietary funds: The County maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for affordable housing, transit, airport, and cultural activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service funds account for internal insurance activities (workers' compensation). Since these services predominantly benefit governmental rather than business-type functions, they are consolidated 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 provide separate information for the Housing Authority and Marin Transit District, both considered major funds.

Pages 31-34 of this report display the proprietary funds financial statements.

Fiduciary funds: Fiduciary funds account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary fund accounting is similar to proprietary funds. Fiduciary funds report the external portions of the Treasurer's investment pool and agency funds. Pages 35-36 of this report display the fiduciary funds financial statements.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Pages 37-69 of this report display the notes to the financial statements.

Required Supplementary 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 and other postemployment benefits to its employees. Budgetary comparison schedules for the major governmental funds are also included as supplementary information to demonstrate compliance with expenditure limits set by the governing board. Required Supplementary Information can be found on pages 70-73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A Condensed Statement of Net Assets is shown below consisting of assets, liabilities and net assets. The County's net assets are comprised of three components; invested in capital assets, net of related debt, restricted assets and unrestricted assets. A summary of net assets is provided below along with discussion of each component.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		
	2009	2008	2009	2008	2009	2008	% Change
Assets:							
Current and other assets	$ 425,749,561	$ 438,533,344	$ 29,707,628	$ 23,878,148	$ 455,457,189	$ 462,411,492	-1.50%
Capital assets, net	1,426,704,701	1,421,672,385	33,614,285	32,712,459	1,460,318,986	1,454,384,844	0.41%
Total assets	1,852,454,262	1,860,205,729	63,321,913	56,590,607	1,915,776,175	1,916,796,336	-0.05%
Liabilities:							
Current and other liabilities	65,788,661	66,203,282	5,956,982	4,488,919	71,745,643	70,692,201	1.49%
Noncurrent liabilities	272,918,865	243,637,805	5,133,830	5,162,090	278,052,695	248,799,895	11.76%
Total liabilities	338,707,526	309,841,087	11,090,812	9,651,009	349,798,338	319,492,096	9.49%
Net Assets:							
Invested in capital assets, net of related debt	1,340,606,232	1,339,735,080	27,414,256	26,484,886	1,368,020,488	1,366,219,966	0.13%
Restricted	96,059,870	90,025,545	9,883,350	8,346,472	105,943,220	98,372,017	7.70%
Unrestricted	77,080,634	120,604,017	14,933,495	12,108,240	92,014,129	132,712,257	-30.67%
Total Net Assets	$ 1,513,746,736	$ 1,550,364,642	$ 52,231,101	$ 46,939,598	$ 1,565,977,837	$ 1,597,304,240	-1.96%

<u>Analysis of Net Assets</u>

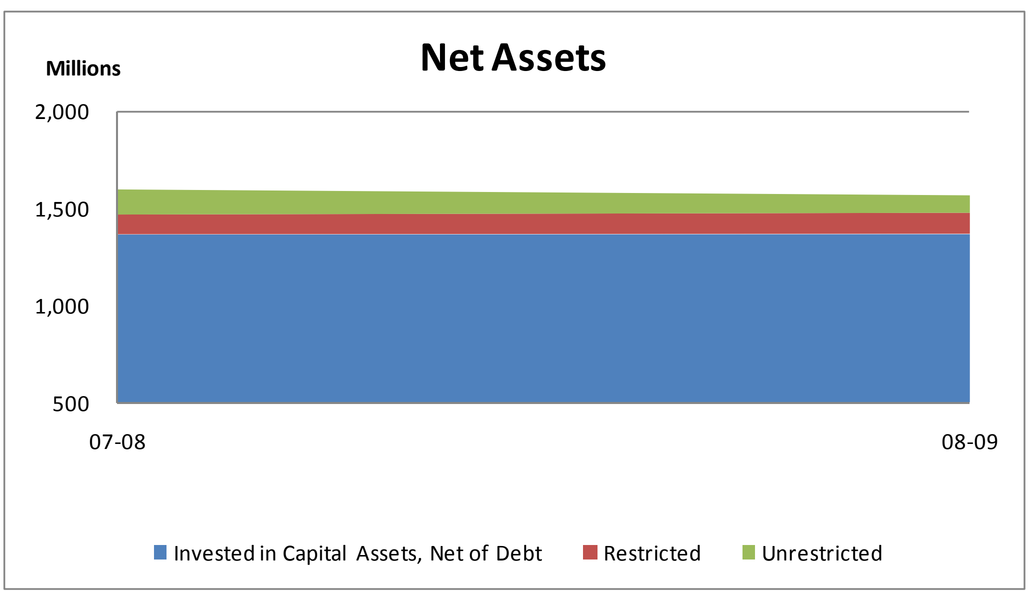
The County's total net assets decreased by $31.3 million, or 2%, during the fiscal year. As described below, the County experienced increases in only two of the three categories of net assets. In the prior year, the County reported increases in all three categories of net assets. The components of total net assets are as follows:

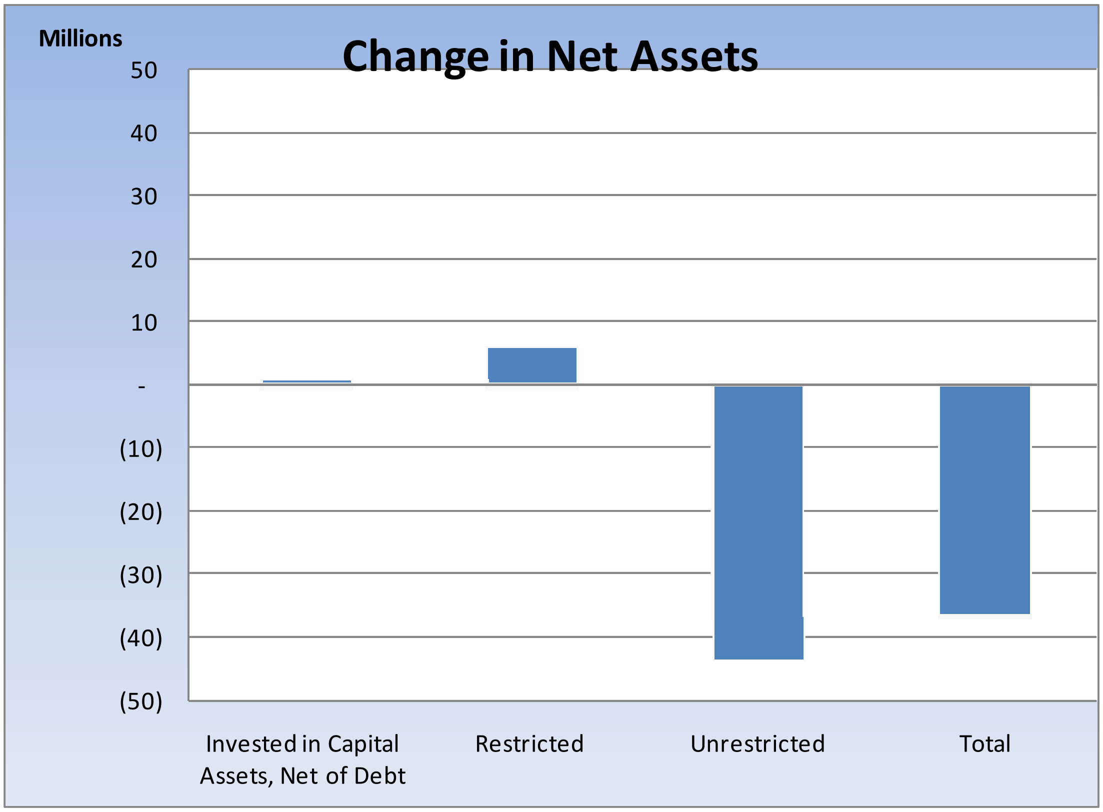
Invested in capital assets, net of related debt: County's investments in capital assets (e.g. land, buildings, roads, bridges, flood control channels and debris basins, machinery, and equipment), less outstanding debt used to acquire those assets, is the largest portion of the County's net assets. The County uses these capital assets to provide services to citizens; as such, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, 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.

Invested in capital assets, net of related debt was $1,368 million at fiscal year end, and was made up of the following: investment in capital assets (net of accumulated depreciation) of $1,460 million, and the related debt of $92 million. The increase in net assets that are invested in capital assets, net of related debt, of $1.8 million represents capital acquisitions and deletions, less current year depreciation, and the retirement of related long-term debt.

Restricted net assets: Representing resources that are subject to external restrictions on their uses, restricted net assets increased $7.6 million, or 7.7%, to $106 million principally due to County's additional commitment to enhance public protection service in the subsequent fiscal period.. At the end of year, the County has 26% more restricted net assets than unrestricted net assets due to the unique nature of County funding sources.

Unrestricted net assets: Unrestricted net assets in the amount of $92 million are available to fund County programs to citizens and debt obligations to creditors. The majority of unrestricted net assets, 84%, reside in the County's Governmental Funds. Unrestricted net assets decreased $41 million, caused mainly by the continued recognition of *Other Post Employment Benefits (OPEB) other than pension.*





The following table shows the revenue, expenses, and changes in net assets for governmental and business-type activities:

- Governmental activities expenses exceeded revenues by $36.6 million.
- Business-type activities revenues exceeded expenses by $5.8 million.
- Government-wide expenses exceeded revenues by $30.8 million
- Total net assets decreased 31 million to $1,566 million, from prior year's $1,597 million.

Changes in Net Assets

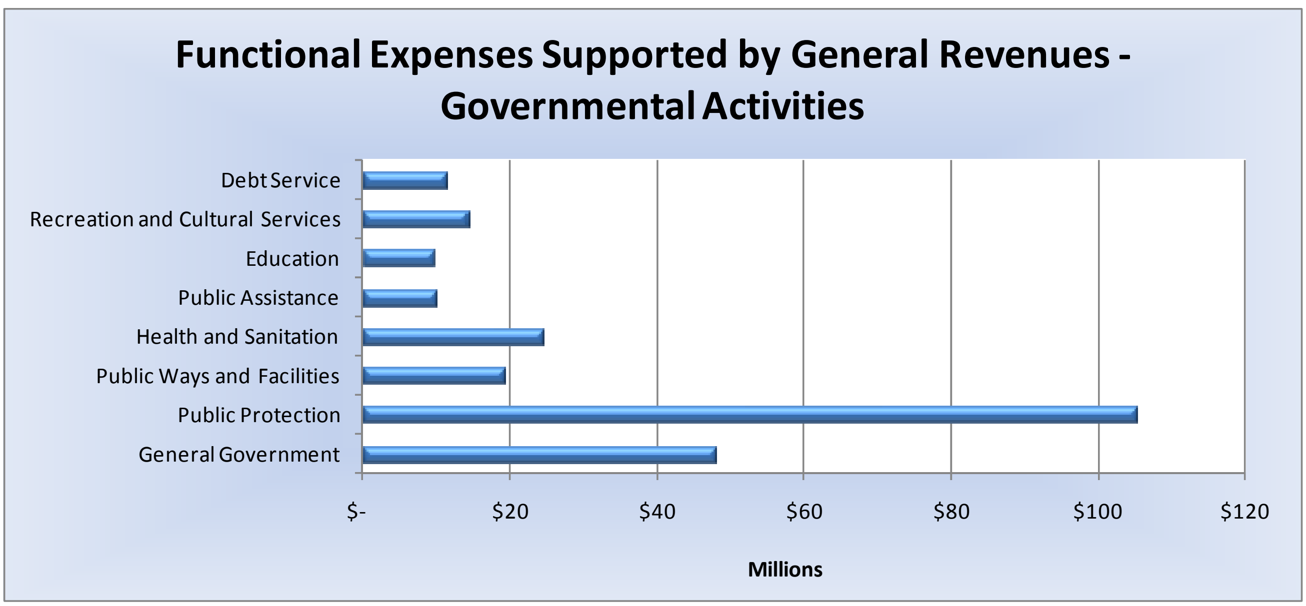
	Governmental Activities		Business-type Activities		Total		Total	
	2009	2008 (1)	2009	2008 (1)	2009	2008 (1)	$ Change	% Change
Revenues:								
Program revenues:								
Charges for services	$ 72,660,111	$ 72,792,052	$ 16,586,381	$ 14,559,050	$ 89,246,492	$ 87,351,102	$ 1,895,390	2.17%
Operating grants and contributions	165,629,111	163,193,750	48,696,912	47,461,190	214,326,023	210,654,940	3,671,083	1.74%
Capital grants and contributions	10,764,586	15,720,365	2,894,999	548,994	13,659,585	16,269,359	(2,609,774)	-16.04%
Program revenues subtotal	249,053,808	251,706,167	68,178,292	62,569,234	317,232,100	314,275,401	2,956,699	0.94%
General revenues:								
Property taxes	183,657,725	195,047,145	3,225,852	3,233,545	186,883,577	198,280,690	(11,397,113)	-5.75%
Sales and use taxes	2,627,825	2,920,483	--	--	2,627,825	2,920,483	(292,658)	-10.02%
Other taxes	3,952,498	4,759,688	--	--	3,952,498	4,759,688	(807,190)	-16.96%
Interest and investment earnings	9,082,873	13,928,177	803,328	382,508	9,886,201	14,310,685	(4,424,484)	-30.92%
Tobacco settlement revenues	3,131,196	2,856,389	--	--	3,131,196	2,856,389	274,807	9.62%
Other revenue	2,962,336	3,538,084	73,677	510,973	3,036,013	4,049,057	(1,013,044)	-25.02%
General revenues subtotal	205,414,453	223,049,966	4,102,857	4,127,026	209,517,310	227,176,992	(17,659,682)	-7.77%
Total revenues	454,468,261	474,756,133	72,281,149	66,696,260	526,749,410	541,452,393	(14,702,983)	-2.72%
Expenses:								
General government	78,944,173	95,010,097	--	--	78,944,173	95,010,097	(16,065,924)	-16.91%
Public protection	169,921,297	159,494,067	--	--	169,921,297	159,494,067	10,427,230	6.54%
Public ways and facilities	40,003,824	41,518,385	--	--	40,003,824	41,518,385	(1,514,561)	-3.65%
Health and sanitation	96,157,874	97,826,891	--	--	96,157,874	97,826,891	(1,669,017)	-1.71%
Public assistance	64,310,157	61,789,547	--	--	64,310,157	61,789,547	2,520,610	4.08%
Education	13,376,491	13,346,183	--	--	13,376,491	13,346,183	30,308	0.23%
Recreation and culture services	17,060,038	17,274,181	--	--	17,060,038	17,274,181	(214,143)	-1.24%
Interest on long-term debt	11,312,313	12,155,613	--	--	11,312,313	12,155,613	(843,300)	-6.94%
Housing Authority	--	--	36,119,347	33,585,123	36,119,347	33,585,123	2,534,224	7.55%
Transit District	--	--	22,249,766	20,597,291	22,249,766	20,597,291	1,652,475	8.02%
Other business-type activities	--	--	8,107,336	6,816,382	8,107,336	6,816,382	1,290,954	18.94%
Total Expenses	491,086,167	498,414,964	66,476,449	60,998,796	557,562,616	559,413,760	(1,851,144)	-0.33%
Change in net assets	(36,617,906)	(23,658,831)	5,804,700	5,697,464	(30,813,206)	(17,961,367)	(12,851,839)	71.55%
Net assets, beginning	1,550,364,642	1,579,473,133	46,939,598	40,769,469	1,597,304,240	1,620,242,602	(22,938,362)	-1.42%
	--	(5,449,660)	(513,197)	472,665	(513,197)	(4,976,995)	4,463,798	-89.69%
Net assets, beginning as restated	1,550,364,642	1,574,023,473	46,426,401	41,242,134	1,596,791,043	1,615,265,607	(18,474,564)	-1.14%
Net assets, ending	$ 1,513,746,736	$ 1,550,364,642	$ 52,231,101	$ 46,939,598	$ 1,565,977,837	$ 1,597,304,240	$ (31,326,403)	-1.96%

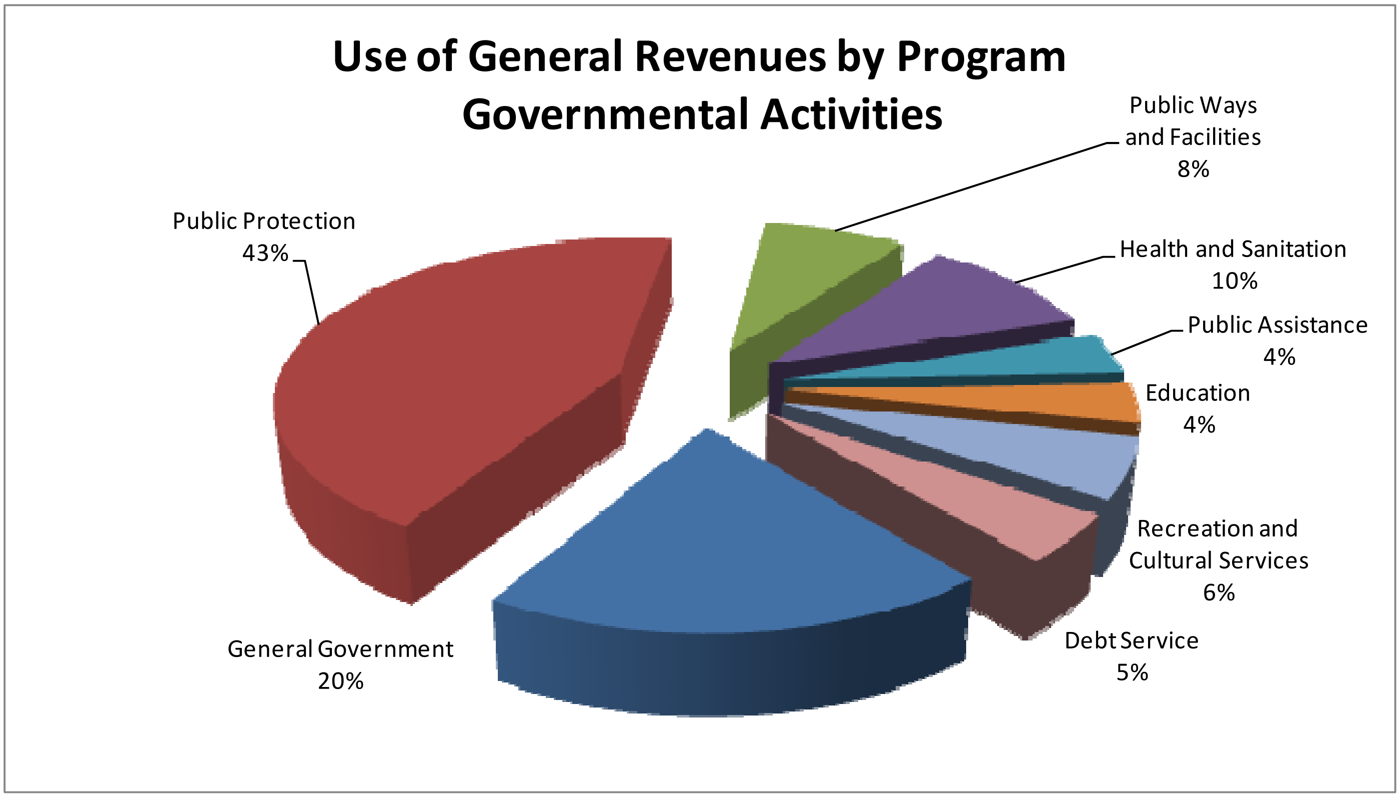
(1) Certain 2008 amounts have been reclassified in order to be consistent with the current year's presentation.

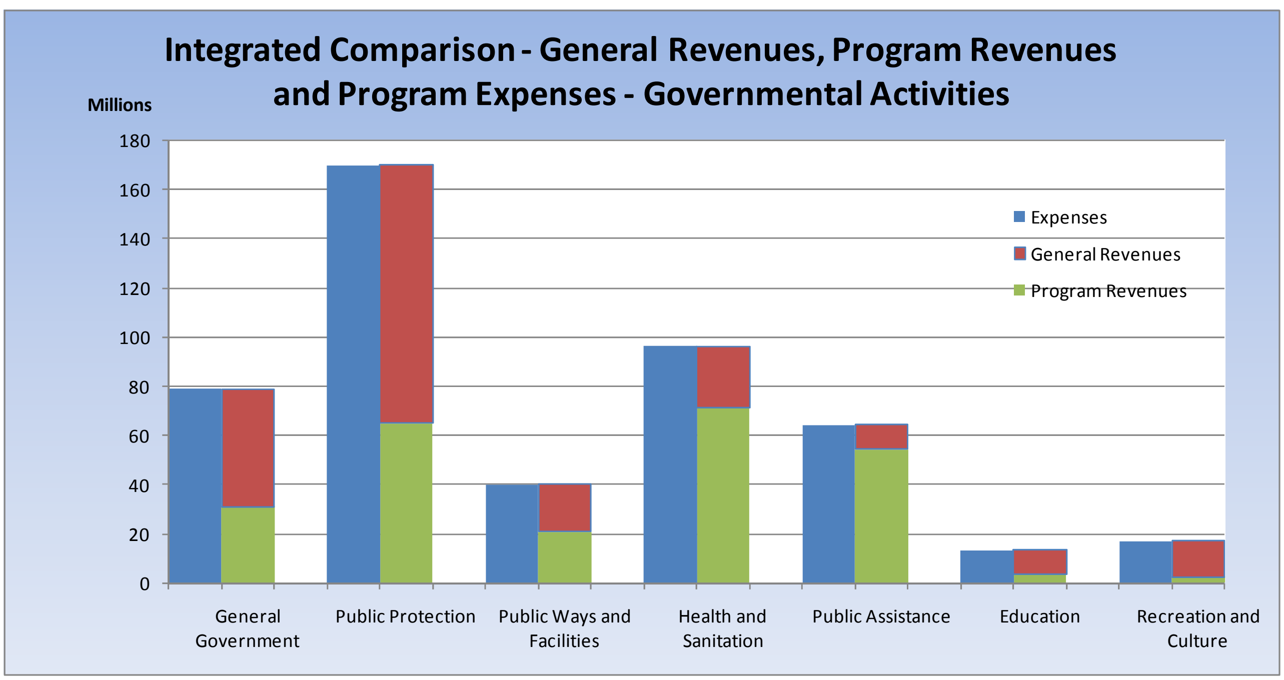
Revenues: Overall revenues for the County's *governmental activities* decreased $20.3 million, or 4.3%, from the prior year. Revenues are divided into two categories: program revenues and general revenues. Program revenues are resources dedicated exclusively for the use on functional programs and is sourced mostly from the outside of the reporting government, such as grants, contributions, and charges for services. General revenues consist of the funding subject to the control of the County's governing body and is made available through the levying of property taxes, sales taxes, and interest earnings.

Governmental-activities and *business-activities* combined program revenues have increased $6.6 million, or 2.1%, from the prior year, resulting from a $5.6 million increase in *business-activities* and a $1 million increase in *governmental activities*. On *governmental-activities* the public safety Prop 172 tax decreased $2.2 million, or 11% from prior year's level, as a result of lower retail sales volume at local businesses. In addition capital grants and contributions from the state dropped $5 million due to state's budget/fiscal difficulties while the operating grants slightly increased $2.4 million. For *business-type activities* revenues for *charges for services* went up $1.8 million as *Housing Authority* expanded its low-come housing rental program and the *Transit District* extended County's local bus services. At the same time proceeds generated from a special tax dedicated for local public transit usage injected more than $3 million of funding for capital acquisition and operation into the economy.

In comparison to prior year total *general revenues* decreased $21.3 million, or 9%, to $209.5 million mainly due to the standstill of property taxes, reduction of federal and state's funding to the County, along with drop on the interest earnings from County Treasurer's cash investments. General revenues provide the Board of Supervisors with most of its discretionary spending ability. Since the formation of County government in 1850 basic public protection services such as sheriff, fire, and district attorney consume a major portion of County's general revenues. The specific uses of the general revenues on County's program spending are shown in the following graphs.



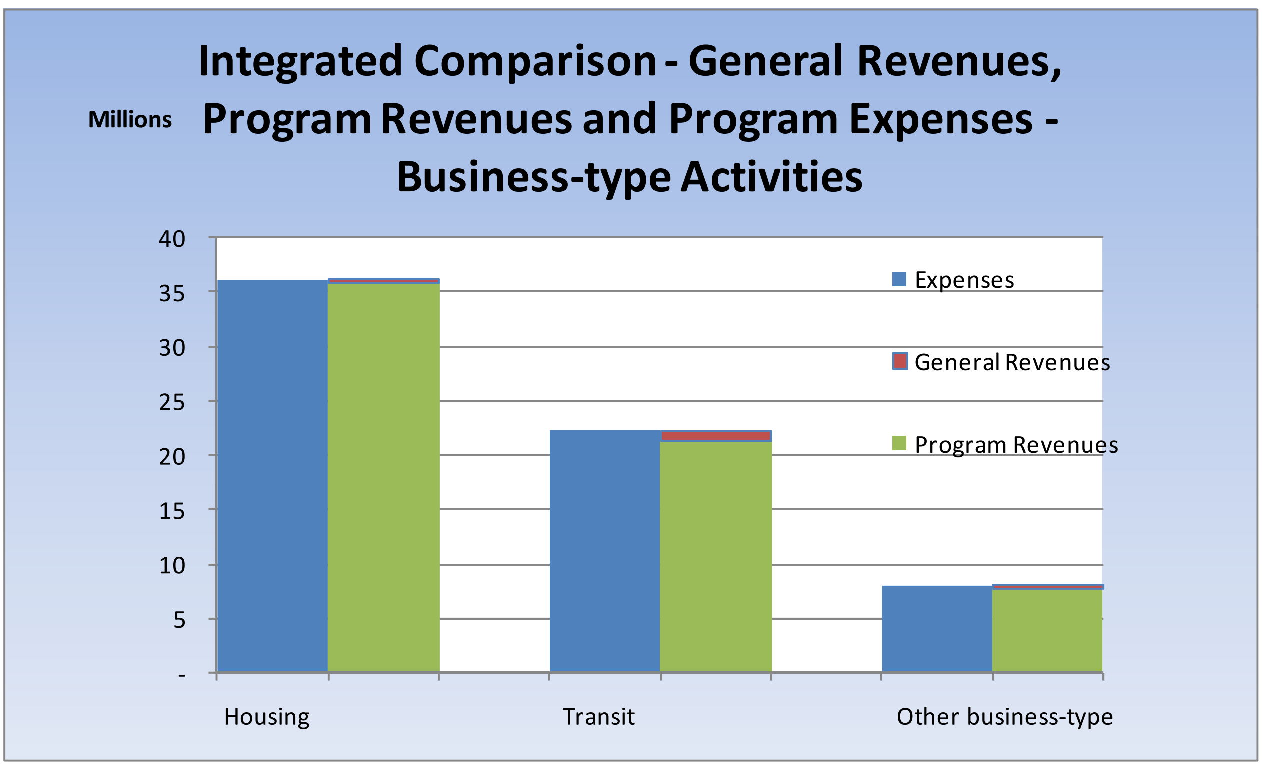

Use of General Revenues by Program
Governmental Activities
Public Ways and Facilities 8%
Health and Sanitation 10%
Public Assistance 4%
Education 4%
Recreation and Cultural Services 6%
Debt Service 5%
General Government 20%
Public Protection 43%

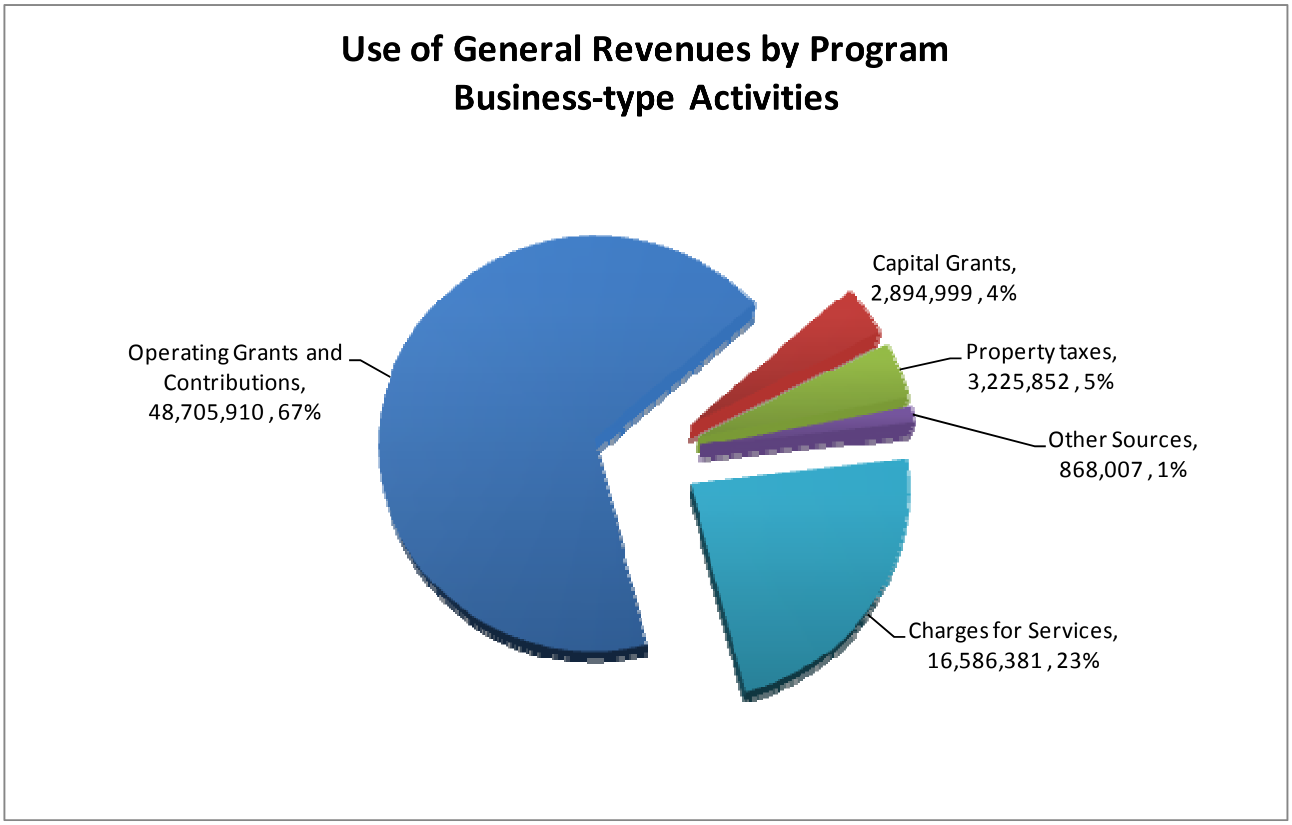

Integrated Comparison - General Revenues, Program Revenues and Program Expenses - Governmental Activities
Millions
180
160
140
120
100
80
60
40
20
0
Expenses
General Revenues
Program Revenues
General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Culture

Analysis of Business-type Activities

The net assets of business-type activities increased 11%, or $5.3 million compared to prior year. Total revenues grew $5.2 million, or 7.8% to $71.9 million. Program revenues had a net growth of $5.6 million due mostly to additional operating and capital grants received by *Marin Transit District*. Expenses increased $5.1 million, or 8.3% to $66 million. The increase stems mostly from *Marin Housing Authority*'s inter-fund expenses and administration cost, as well as *Marin Transit District*'s expanded contractual bus services.

Marin Transit District is reported this year as a major enterprise fund as the County expands its public transit operation by expanding the number of buses and stage coaches in service from prior year's 28 to this year's 49. This growth of bus fleet is made possible by a $2.09 million injection of capital grants sourced from Federal, State, and local governments, as well as the near $2.2 million boost of locally-generated sales tax dedicated for public transportation usage. During fiscal year 2009 the district purchased 21 new buses for $1.3 million and carried the unspent funds of approximately $3 million into future years.





III. FINANCIAL ANALYSIS OF FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. When applicable, prior years numbers have been reclassified to make them comparable to the current year.

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, unreserved fund balance is a useful measure of a government's resources available for spending at the end of the fiscal year.

At June 30, 2009, the County's governmental funds reported total fund balances of $289.5 million, a $5.1 million decrease in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Reserved fund balance, $45 million, is reserved for: (1) encumbrances, $28.6 million, (2) long term notes receivables, $13.3 million, and (3) inventories and pre-paid expenses $0.7 million.

- Unreserved fund balance constitutes approximately 84%, or $244.5 million, of the total fund balances that are available to meet the County's current and future needs. The County's management can designate (i.e. earmark) a portion of unreserved fund balance to a particular function, project or activity, and can also designate it for purposes beyond the current year. However, designated fund balances are available for appropriation at any time. The County has designated $117 million of the unreserved fund balance, leaving an undesignated fund balance of $127.6 million.

The General Fund is the main operating fund of the County. The General Fund's total fund balance increased by 7.8%, or $12.4 million, to $171.5 million during June 30, 2009. The reserved fund balance was $28.2 million, up $11.9 million from last year, and the unreserved fund balance was $143.2 million, an increase of $0.5 million, from the prior year.

As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and unreserved fund balance to total fund expenditures. Total fund balance equates to 47% of total General Fund expenditures while unreserved fund balance equates to 41.5% of total General Fund expenditures. Of the General Fund unreserved fund balance, $112.5 million, or 77% is designated. The most significant designations are a $71 million "subsequent expenditures" earmarked for numerous items such as capital improvements ($33.8 million), election and radio equipments ($7.6 million), employer's retirement health care benefit stabilization ($7 million), and contingencies ($21.2 million). Other important designations include $19 million for budget uncertainties, $18.4 million on workers' compensation self-insurance, and $4 million for retirement pension rate stabilization. General Fund unreserved, undesignated fund balance at year-end was $30.7 million, a 6%, or $1.9 million increase from the prior year.

This year, given the expansion in service scale and numerous capital project improvements, the County is reporting *Flood Control and Water Conservation Districts* **(FCWCD)** as one of its major funds. In conformity with GASB *pronouncement no. 34,* FCWCD has met the major fund reporting criteria by having its total fund liabilities weighing more than 10% of that of total governmental funds, as well as weighing more than 5% of combined liabilities on the aggregation of governmental funds and proprietary funds. By the same token County's capital project fund, previously reported as another major fund, no longer holds the 10% and 5% test criteria this year due to the decrease in activity level after the recent completion of County's new *Health & Wellness Center*.

Revenues:

The following table presents the revenues from specific sources as well as changes from the prior years in the governmental funds.

	FY 2009		FY 2008		Change	
	Amount	% of total	Amount	% of total	Amount	%
Taxes	$ 190,739,677	41.87%	$ 206,031,654	42.53%	$ (15,291,977)	-7.42%
Licenses and permits	9,280,351	2.04%	9,272,355	1.91%	7,996	0.09%
Intergovernmental revenues	176,193,695	38.68%	188,290,712	38.87%	(12,097,017)	-6.42%
Charges for services	54,586,578	11.98%	52,906,956	10.92%	1,679,622	3.17%
Fines and forfeits	9,558,545	2.10%	7,566,336	1.56%	1,992,209	26.33%
Use of money and property	9,082,873	1.99%	13,928,177	2.88%	(4,845,304)	-34.79%
Miscellaneous	6,093,532	1.34%	6,394,473	1.32%	(300,941)	-4.71%
Total Revenues	$ 455,535,251	100.00%	$ 484,390,663	100.00%	$ (28,855,412)	-5.96%

Property Taxes revenues are generally level from prior year if we factor out FY 2008's one-time $17 million settlement where the State paid the County to resolve a dispute over the Education Revenue Augmentation Fund (ERAF) apportionment. Prior to this settlement the state made inequitable apportionments of excess ERAF money between County and a state-run program known as *Home Care Mental Assistance*, causing the former to receive less ERAF than it was entitled to and the latter more than it should. A further review reveals a steady increase in tax revenues over recent years: 2007's taxes ($177.6 million) jumped 25% over 2006's $141.6 million, and 2008 continued this upward momentum by another 6.4%, after we discount the effect on aforementioned ERAF settlement. By 2009 tax revenue stayed level from the upward trend buildup over the past years and totaled $190.7 million which was $13 million higher than 2007's sum showing the County's steady local revenue base can withstand difficult economic times.

Intergovernmental revenues totaled $11.9 million less than prior year. During fiscal year 2009 funding for the re-construction of County roads and other infrastructures damaged during the storm disaster of 2006 ended. The County received its last installment of such funding in 2008 for $9.3 million, with $7.3 million in federal grants and $2 million in State grants. Other large reductions in this revenue category are the state's decreased funding of various legislature-mandated programs.

Use of money and property (investment earnings) has declined along with the reduction of national interest rates. The County invests its resources in conservative short-term notes and money markets that yielded low rates of returns throughout fiscal year 2008-09. Consequently this year's earnings dropped $5 million from $14 million to $9 million.

Expenditures:

The following table presents the expenditures from specific sources as well as changes from the prior years in the governmental funds.

	FY 2009		FY 2008		Change	
	Amount	% of total	Amount	% of total	Amount	%
Current:						
General government	$ 62,050,971	13.45%	$ 83,507,072	17.38%	$ (21,456,101)	-25.69%
Public protection	153,673,501	33.30%	145,943,750	30.37%	7,729,751	5.30%
Public ways	27,787,282	6.02%	29,551,781	6.15%	(1,764,499)	-5.97%
Health & sanitation	90,416,014	19.59%	93,272,025	19.41%	(2,856,011)	-3.06%
Public assistance	59,671,423	12.93%	57,190,292	11.90%	2,481,131	4.34%
Education	12,588,464	2.73%	12,275,585	2.55%	312,879	2.55%
Culture and recreation	15,115,443	3.28%	15,411,105	3.21%	(295,662)	-1.92%
Capital outlay	25,312,297	5.48%	28,837,335	6.00%	(3,525,038)	-12.22%
Debt service:						
Principal	4,657,249	1.01%	4,243,324	0.88%	413,925	9.75%
Interest	10,227,197	2.22%	10,312,950	2.15%	(85,753)	-0.83%
Total	$ 461,499,841	100.00%	$ 480,545,219	100.00%	$ (19,045,378)	-3.96%

The County's total expenditures in FY 2009 decreased $19 million as compared to FY 2008. These decreases are mainly across all categories except for Public protection and Public assistance, which collectively increased $10 million while all other activities decreased $30 million. The largest decreases were General Government ($21.5 million), Capital Outlay ($3.5 million) and Health & Sanitation ($2.9 million).

General Government expenditures representing 13.5% of the County's total expenditures decreased by $21.5 million in FY 2009 as compared to FY 2008. This decrease is the result of County's management's use of limited resources due to economic uncertainties and expected lower future revenues.

Public Protection expenditures representing 33.3% of the County's total expenditures increased $7.7 million in FY 2009 as compared to FY 2008. This represents a partial return to expenditures levels of FY 2007.

Health and Sanitation expenditures representing 19.6% of the County's total expenditures decreased $2.9 million in FY 2009 as compared to FY 2008. Again this represents reduced funding and management's anticipation of lower future revenues and thus requires a reduction of current expenditures.

Capital Assets

The County's investment in capital assets during the fiscal year increased $5.9 million to $1,460.3 million (net of accumulated depreciation). This investment is in a broad range of capital assets including land, Assets Under Construction (AUC), structures and improvements, equipment, and infrastructure.

	Governmental Activities		Business-type Activities		Total		Change
	2009	2008	2009	2008	2009	2008	Inc (Dec)
Land and infrastructure land	$ 1,229,720,577	$ 1,221,017,118	$ 7,049,682	$ 7,049,682	$ 1,236,770,259	$ 1,228,066,800	$ 8,703,459
Structures and improvements	115,936,641	73,089,778	20,114,063	21,322,660	136,050,704	94,412,438	41,638,266
Equipment	10,563,959	7,926,916	1,809,463	810,959	12,373,422	8,737,875	3,635,547
Infrastructure	62,159,408	70,881,892	--	--	62,159,408	70,881,892	(8,722,484)
Other property	--	--	2,356,445	2,450,492	2,356,445	2,450,492	(94,047)
Assets under construction	8,324,116	48,756,681	2,284,632	1,078,666	10,608,748	49,835,347	(39,226,599)
Total	$ 1,426,704,701	$ 1,421,672,385	$ 33,614,285	$ 32,712,459	$ 1,460,318,986	$ 1,454,384,844	$ 5,934,142

The County purchases and constructs capital assets throughout the year. When a capital project will be completed in a subsequent fiscal year, the related expenditures are recorded as Assets Under Construction. When a project is completed, the AUC is allocated to land, building, equipment or infrastructure. In the current year, AUC decreased $40.4 million for governmental activities and increased $1.2 million for business-type activities. Current year AUC expenditures of $22.1 million along with prior-year AUC carried-over balance of $48.8 million were offset by project completions/disposals of $62.5 million, most of which contributed to County's new *Health and Wellness Center*.

The following table details the changes in capital assets:

Changes in Capital Assets (in thousands)

	Increase (Decrease)	
Capital assets, not being depreciated		
Land additions	$ 8,600	
Easement additions	103	
Assets Under Construction (AUC) additions	23,328	
AUC completions/disposals	(62,556)	
Total capital assets, not being depreciated		(30,525)
Capital assets, being depreciated		
Structure and improvement additions	42	
Structure and improvement depreciation	(8,378)	
Structure and improvement adjustments/transfers	49,974	
Equipment additions	4,506	
Equipment adjustments/transfers	2,956	
Equipment disposals (net)	(46)	
Equipment depreciation	(3,780)	
Instrastructure adjustments/transfers	1,134	
Instrastructure depreciation	(9,951)	
Total capital assets, being depreciated		36,457
Total change - County capital assets		$ 5,932

Additional capital assets information, including depreciation and outstanding AUC as of June 30, 2009, can be found in Note 6 to the financial statements on page 54.

Debt Administration

At June 30, 2009, the County had total long-term debt outstanding balance related of $217 million. This amount was comprised of $172.6 million on bonds payable, $36 million on certificates of participation (COP), $7.5 million on loans payable, and $882,165 of capital lease obligations.

	Governmental Activities		Business-Type Activities		Total		Total	
	2009	2008	2009	2008	2009	2008	Dollar Change	Percent Change
Bonds payable	$172,646,524	$173,359,706	$ --	$ --	$172,646,524	$173,359,706	$ (713,182)	-0.41%
Certificates of participation	36,005,000	39,110,000	--	--	36,005,000	39,110,000	(3,105,000)	-7.94%
Loans payable	2,398,166	1,837,553	5,107,001	5,150,289	7,505,167	6,987,842	517,325	7.40%
Capital leases payable	882,165	912,583	--	45,791	882,165	958,374	(76,209)	-7.95%
Total	$211,931,855	$215,219,842	$ 5,107,001	$ 5,196,080	$217,038,856	$220,415,922	$ (3,377,066)	-1.53%

The County's total long-term debt outstanding balance decreased $3.4 million, or 1.5%, during fiscal year 2009. This decrease results principally from the payment of $3.1 million for certificated of participation.

The County maintains a rating from both Moody's and Standard & Poor's of Aa1 and AA+ respectively for its taxable pension general obligation bonds, series 2003 and maintains a rating from both Moody's and Standard & Poor's of Aa2 and AA respectively for its certificates of participation.

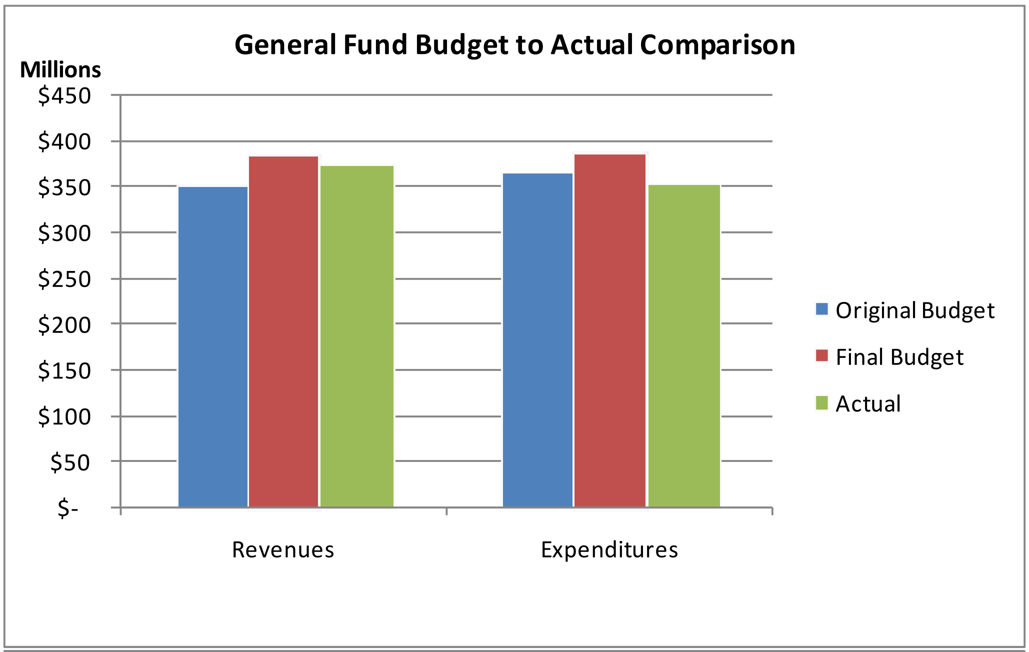
Additional information on the County's long-term debt can be found on pages 57-60 in the Notes to the Financial Statements.

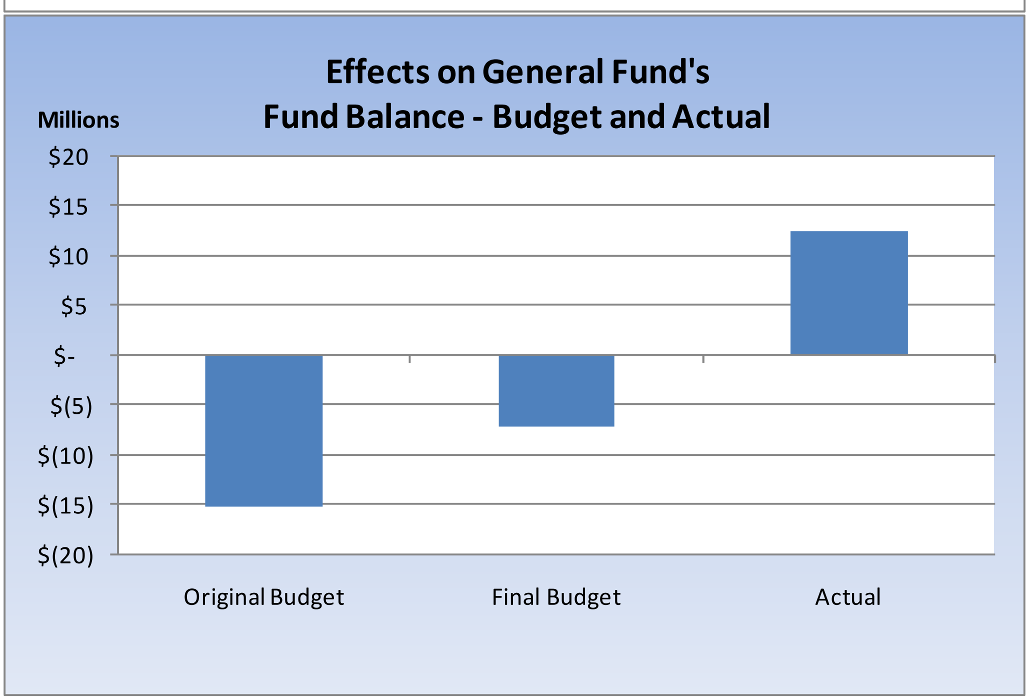
V. GENERAL FUND BUDGETARY HIGHLIGHTS

During 2009 actual resources received by the General Fund were less than budgeted by $10.2 million and charges to appropriations were less than budgeted by $29.7 million resulting in an increase of budgetary fund balance of $19.5 million. The reduction in County spending was mainly due to less spending in General Government ($13.8 million), Public Protection ($9.2 million), and Health & Sanitation ($7.1 million).

The final budget compared to the adopted budget contained increases in both revenues ($38.2 million) and appropriations ($26.9 million) resulting in an increase in budgetary fund balance of $11.3 million.

Resources (revenues & other financing sources) and appropriations (expenditures & other financing uses) represent the legal level of budgetary controls and legal authority to spend. In FY 2009 the final budgeted resources of the general fund are $390.2 million which is almost the same as FY 2008, which was $391.9 million or a reduction of $1.7 million or less than one percent. Final budget appropriations for FY 2009 were $397.3 million or $6.1 million less than FY 2008 or a reduction of 1.5%.





FLOOD CONTROL AND WATER CONSERVATION DISTRICTS BUDGETARY HIGHLIGHTS

The budget for fiscal 2009 was amended to properly reflect $2,529,383 "Special Assessments" as charges for services and not taxes. Total revenues were less than budgeted revenues by $53,404 and actual expenditures were less than budgeted expenditures by $2,339,581 or 30%.

ECONOMIC FACTORS AND FY 2009-10 BUDGET

This past year has been one of significant financial challenge. The national recession, reduction in local property taxes and the state's reduction of available resources have threatened our community's "safety net".

The County of Marin has managed the economic downturn over the last two years by making prudent fiscal choices and continuing the practice of planning ahead. This has allowed the county to meet its legal mandates and to provide community services that meet the goal of creating a sustainable, equitable and safe community. The county during this past year opened the new *Health and Wellness Center*, created the Marin *Energy* Authority and complete several park master plans.

While we are encouraged by these results, we also recognize that difficult choices remain. Pension costs will increase significantly due to recent equity market losses, our local revenues will slow down due to the economy, and the state will likely borrow our local property taxes to help balance its budget. In addition, our local residents will demand greater services including health care, employment, and other social services.

The County is working collaboratively to face current and future fiscal challenges and accordingly has budgeted $374.5 million for FY 2009-10 compared to 370.4 million for last year, an increase of 1.1% for the General Fund. Below are a number of key issues that have impacted the development of the 2010 budget.

Property Tax Slowdown: The downturn in the housing market continues to impact the County budget as approximately one quarter of the county revenues comes from property taxes. The county is projecting a 2% growth rate compared to previous years of 7%-9% annual growth. This reduced growth rate means that less money will be available to fund current and emerging service needs.

Employee Benefits and Retire Health Care: The County reached agreement with most employee groups to make current employee benefits more competitive while reducing retiree health care costs for future employees. This agreement substantially slows the growth of long-term liability related to providing retiree health care. The budget continues an additional $3 million annual set-aside to reduce the unfunded liability for retiree health care.

State Budget Uncertainties: The County receives approximately one third of its budget from the state. Because of the state budget uncertainties, the county's appropriation budget contains $1 million of budgeted contingency to allow time to adapt to the expected loss of state program revenues.

Facilities Maintenance/Disabilities Access: The County must adequately maintain its infrastructure to provide high quality and accessible services to county residents. The county has accrued substantial deferred maintenance as well as required upgrades to ensure the all facilities are accessible to disabled residents and clients. The county's updated plan estimates the need for approximately $30 million to address the existing infrastructure. The FY 2009-2010 budget allocates $2 million for the highest priority facility and disability access improvements.

As in previous years, the County's budget has been guided by the County's Management for Results (MFR) process. MFR is designed to achieve the Board's vision of being a result-oriented and customer-focused organization whose resources are aligned with it overall mission, values, and goals. MFR improves our service and ensures we are doing the most important things well.

VII. REQUEST FOR INFORMATION

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

Mark Walsh, CPA
Finance Director
County of Marin
3501 Civic Center Dr., Room 225
San Rafael, CA 94903
Tel: (415) 499-615

BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF MARIN

Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments in County pool	$ 286,911,134	$ 9,043,601	$ 295,954,735
Other outside investments	--	2,505,891	2,505,891
Receivables:			
Accounts and other - net	16,217,478	328,798	16,546,276
Taxes	886,834	--	886,834
Due from other agencies	10,985,521	5,363,303	16,348,824
Employee loans	1,060,461	--	1,060,461
Other loans	13,339,108	3,900,484	17,239,592
Inventories	584,244	--	584,244
Prepaid items and other assets	129,540	1,232,575	1,362,115
Restricted cash held with trustee	7,370,956	--	7,370,956
Other restricted cash		7,332,976	7,332,976
Deferred fiscal charges	3,660,545	--	3,660,545
Net pension asset	84,603,740	--	84,603,740
Capital assets:			
Nondepreciable	1,238,044,693	9,334,314	1,247,379,007
Depreciable, net	188,660,008	24,279,971	212,939,979
Total assets	$ 1,852,454,262	$ 63,321,913	$ 1,915,776,175
LIABILITIES			
Accounts payable and accrued expenses	$ 8,307,497	$ 2,881,801	$ 11,189,298
Salaries and benefits payable	9,069,518	70,097	9,139,615
Accrued interest payable	4,134,003	786,747	4,920,750
Unearned revenues	2,047,434	1,224,927	3,272,361
Other liabilities	2,583,502	786,392	3,369,894
Estimated claims	23,785,000	--	23,785,000
Compensated absences:			
Due within one year	11,083,302	54,403	11,137,705
Due beyond one year	2,585,866	179,444	2,765,310
Long-term liabilities:			
Due within one year	4,778,405	152,615	4,931,020
Due beyond one year	207,153,450	4,954,386	212,107,836
Liability for post-employment benefits	63,179,549	--	63,179,549
Total liabilities	338,707,526	11,090,812	349,798,338
NET ASSETS			
Invested in capital assets, net of related debt	1,340,606,232	27,414,256	1,368,020,488
Restricted:			
Education	5,400,657	--	5,400,657
Health and sanitation	16,079,951	--	16,079,951
Public assistance	11,427,707	--	11,427,707
Public protection	38,467,917	--	38,467,917
Public ways and facilities	8,251,729	--	8,251,729
Recreation	7,252,483	--	7,252,483
Debt service	9,179,426	--	9,179,426
Other purposes	-	9,883,350	9,883,350
Unrestricted	77,080,634	14,933,495	92,014,129
Total net assets	1,513,746,736	52,231,101	1,565,977,837
Total liabilities and net assets	$ 1,852,454,262	$ 63,321,913	$ 1,915,776,175

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

COUNTY OF MARIN

Statement of Activities
For the Fiscal Year Ended June 30, 2009

		Program Revenues		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
General government	$ 78,944,173	$ 29,853,998	$ 1,157,634	$ --
Public protection	169,921,297	31,585,415	32,854,252	414,353
Public ways and facilities	40,003,824	2,178,173	8,387,738	10,253,389
Health and sanitation	96,157,874	2,446,430	69,091,361	76,909
Public assistance	64,310,157	783,822	53,510,861	--
Education	13,376,491	3,282,928	515,826	--
Recreation and cultural services	17,060,038	2,529,345	111,439	19,935
Debt Service:				
Interest and fiscal charges	11,312,313	--	--	--
Total governmental activities	491,086,167	72,660,111	165,629,111	10,764,586
Business-Type Activities:				
Housing Authority	36,119,347	3,880,406	32,259,021	795,202
Transit District	22,249,766	5,884,641	15,447,892	2,099,797
Other business-type activities	8,107,336	6,821,334	998,997	--
Total business-type activities	66,476,449	16,586,381	48,705,910	2,894,999
Total primary government	$ 557,562,616	$ 89,246,492	$ 214,335,021	$ 13,659,585

General Revenues:
Taxes:
Property taxes
Sales and use taxes
Other
Unrestricted interest and investment earnings
Tobacco settlement
Miscellaneous
Total general revenues and transfers

Change in net assets

Net assets, beginning of year
Prior period adjustment
Net assets, end of year

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

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (47,932,541)	$ --	$ (47,932,541)
(105,067,277)	--	(105,067,277)
(19,184,524)	--	(19,184,524)
(24,543,174)	--	(24,543,174)
(10,015,474)	--	(10,015,474)
(9,577,737)	--	(9,577,737)
(14,399,319)	--	(14,399,319)
(11,312,313)	--	(11,312,313)
(242,032,359)	--	(242,032,359)
--	815,282	815,282
--	1,182,564	1,182,564
--	(287,005)	(287,005)
--	1,710,841	1,710,841
(242,032,359)	1,710,841	(240,321,518)
183,657,725	3,225,852	186,883,577
2,627,825	--	2,627,825
3,952,498	--	3,952,498
9,082,873	803,328	9,886,201
3,131,196	--	3,131,196
2,962,336	64,679	3,027,015
205,414,453	4,093,859	209,508,312
(36,617,906)	5,804,700	(30,813,206)
1,550,364,642	46,939,598	1,597,304,240
--	(513,197)	(513,197)
$ 1,513,746,736	$ 52,231,101	$ 1,565,977,837

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

BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS

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COUNTY OF MARIN

Balance Sheet
Governmental Funds
June 30, 2009

	General	Flood Control Zones	Other Governmental Funds	Total
ASSETS				
Cash and investments in County pool	$ 156,200,059	$ 17,107,560	$ 90,352,848	$ 263,660,467
Cash with fiscal agent	--	--	7,081,801	7,081,801
Receivables:				
Taxes	886,834	--	--	886,834
Accounts	15,684,523	--	532,955	16,217,478
Notes receivable	6,427,448	--	6,911,660	13,339,108
Employee loans receivable	1,060,461	--	--	1,060,461
Due from other funds	686,667	--	--	686,667
Due from other governmental agencies	9,034,378	16,972	1,934,171	10,985,521
Advances to other funds	2,246,667	--	45,400	2,292,067
Prepaid expenses	129,540	--	--	129,540
Inventory of supplies	479,738	--	104,506	584,244
Total assets	$ 192,836,315	$ 17,124,532	$106,963,341	$ 316,924,188
LIABILITIES				
Accounts payable and accrued expenses	$ 6,274,402	$ 137,965	$ 1,874,764	$ 8,287,131
Accrued salaries and benefits	8,208,086	--	861,432	9,069,518
Due to other funds	--	686,667	--	686,667
Advances payable	--	2,246,667	45,400	2,292,067
Deferred revenue	4,464,047	--	--	4,464,047
Other liabilities	2,385,023	--	198,479	2,583,502
Total liabilities	21,331,558	3,071,299	2,980,075	27,382,932
FUND BALANCES				
Reserved for:				
Encumbrances	19,005,160	2,224,807	7,417,178	28,647,145
Prepaid expenses	129,540	--	--	129,540
Advances to other funds	2,246,667	--	45,400	2,292,067
Inventories	479,738	--	104,506	584,244
Notes receivable	6,427,448	--	6,911,660	13,339,108
Unreserved:				
Designated:				
Subsequent expenditures	71,091,384	--	2,825,061	73,916,445
Self-insurance	18,400,000	--	--	18,400,000
Retirement rate stabilization	4,000,000	--	--	4,000,000
Budget uncertainties	19,000,000	--	--	19,000,000
Debt service	--	--	1,660,113	1,660,113
Undesignated				
Reported in the General Fund	30,724,820	--	--	30,724,820
Reported in Special Revenue Funds	--	11,828,426	61,455,240	73,283,666
Reported in Capital Projects Funds	--	--	11,865,390	11,865,390
Reported in Debt Service Funds	--	--	11,698,718	11,698,718
Total fund balances	171,504,757	14,053,233	103,983,266	289,541,256
Total liabilities and fund balances	$ 192,836,315	$ 17,124,532	$106,963,341	$ 316,924,188

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

COUNTY OF MARIN

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2009

Fund Balance - total governmental funds (page 27)		$ 289,541,256
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of:		
Land	1,229,720,577	
Construction in progress	8,324,116	
Infrastructure, net of accumulated depreciation	62,159,408	
Buildings and improvements, net of accumulated depreciation	115,936,641	
Equipment, net of accumulated depreciation	10,563,959	
Total capital assets		1,426,704,701
Long-term assets used in Governmental Activities, such as the net pension asset and deferred fiscal charges, are not current financial resources and, therefore, are not reported in the Governmental Funds.		88,264,285
Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the Governmental Funds.		2,416,613
Internal service funds are used by the County to charge the cost of worker's compensation insurance to individual funds. Net assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		4,906,456
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances as of June 30 are:		
Certificates of participation, bonds and loans payable	(211,049,690)	
Capital leases	(882,165)	
Accrued interest on long-term debt	(4,134,003)	
Compensated absences	(13,669,168)	
Other post employment benefits payable	(63,179,549)	
Claims and judgments	(5,172,000)	
Total long-term liabilities		(298,086,575)
Net assets of governmental activities (page 24)		$ 1,513,746,736

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

COUNTY OF MARIN

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Flood Control Zones	Other Governmental Funds	Total
Revenues:				
Taxes	$ 162,154,384	$ 4,592,893	$ 23,992,400	$ 190,739,677
Licenses and permits	4,781,952	--	4,498,399	9,280,351
Intergovernmental revenues	147,990,527	68,042	28,135,126	176,193,695
Charges for services	41,670,573	2,700,273	10,215,732	54,586,578
Fines and forfeits	8,517,081	--	1,041,464	9,558,545
From use of money and property	6,444,286	304,221	2,334,366	9,082,873
Miscellaneous	2,485,828	10,307	3,597,397	6,093,532
Total revenues	374,044,631	7,675,736	73,814,884	455,535,251
Expenditures:				
Current:				
General government	57,775,444	--	4,275,527	62,050,971
Public protection	129,637,368	7,316,229	16,719,904	153,673,501
Public ways and facilities	13,083,995	134,366	14,568,921	27,787,282
Health and sanitation	86,159,133	--	4,256,881	90,416,014
Public assistance	55,796,259	--	3,875,164	59,671,423
Education	871,430	--	11,717,034	12,588,464
Recreation and cultural services	8,055,935	--	7,059,508	15,115,443
Capital outlay	2,696,936	12,534	22,602,827	25,312,297
Debt Service:				
Principal	42,249	--	4,615,000	4,657,249
Interest	29,856	25,013	10,172,328	10,227,197
Total expenditures	354,148,605	7,488,142	99,863,094	461,499,841
Excess (deficiency) of revenues over (under) expenditures	19,896,026	187,594	(26,048,210)	(5,964,590)
Other Financing Sources (Uses):				
Issuance of debt	857,758	--	--	857,758
Transfers in	5,044,946	--	16,778,844	21,823,790
Transfers out	(13,413,830)	--	(8,409,960)	(21,823,790)
Total other financing sources (uses)	(7,511,126)	--	8,368,884	857,758
Net change in fund balances	12,384,900	187,594	(17,679,326)	(5,106,832)
Fund balances, beginning of year	159,119,857	13,865,639	121,662,592	294,648,088
Fund balances, end of year	$ 171,504,757	$ 14,053,233	$ 103,983,266	$ 289,541,256

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

COUNTY OF MARIN

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities For the Fiscal Year Ended June 30, 2009

Net change to fund balance - total governmental funds (page 29)		$ (5,106,832)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	$ 25,374,660	
Less: current year depreciation	(20,342,344)	5,032,316
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Changes in deferred revenue		(1,266,990)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.		
Amortization of bond discount	(62,193)	
Amortization of deferred fiscal charges	(140,194)	
Amortization of loss on refunding	(146,574)	
Accretion of loan payable	(784,142)	
Debt issued	(553,345)	
Repayment of bonds, certificates of participation, and notes	4,657,249	
Net adjustment		2,970,801
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		
Repayment of capital lease obligations		334,831
Inception of capital lease		(304,413)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Change in compensated absences	(791,975)	
Amortization of net pension asset	(4,700,210)	
Other post employment benefits liability	(31,802,549)	
Change in claims liability	(833,000)	
Accrued interest on long-term debt	47,987	
Net adjustment		(38,079,747)
Internal service funds are used by the County to charge the cost of worker's compensation insurance to individual funds. The net revenue (expense) of internal service fund is reported with governmental activities.		(197,872)
Change in net assets of governmental activities (page 26)		$ (36,617,906)

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

COUNTY OF MARIN

Statement of Fund Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities				Governmental Activities
	Housing Authority	Transit District	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments in County pool	$ --	$ 7,116,659	$ 1,926,942	$ 9,043,601	$ 23,250,667
Cash with fiscal agent	--		--	--	289,155
Other cash	2,505,891	--	--	2,505,891	--
Receivables:					
Taxes	--	--	--	--	--
Accounts	328,798	--	--	328,798	--
Prepaid items and other assets	165,355	--	974,995	1,140,350	--
Depostis with others	--	--	92,225	92,225	--
Short-term notes receivable	5,575		--	5,575	--
Due from other governments	571,162	4,792,141	--	5,363,303	--
Total current assets	3,576,781	11,908,800	2,994,162	18,479,743	23,539,822
Noncurrent Assets:					
Restricted cash	7,332,976		--	7,332,976	--
Long-term notes receivable	3,894,909		--	3,894,909	--
Capital assets:					
Nondepreciable	5,063,073	--	4,271,241	9,334,314	--
Depreciable, net	18,975,383	1,709,603	3,594,985	24,279,971	--
Total noncurrent assets	35,266,341	1,709,603	7,866,226	44,842,170	--
Total assets	$ 38,843,122	$ 13,618,403	$ 10,860,388	$ 63,321,913	$ 23,539,822
LIABILITIES					
Current Liabilities:					
Vouchers and accounts payable	$ 360,420	$ 1,678,679	$ 205,444	$ 2,244,543	$ 20,366
Accrued salaries and benefits	63,065	--	7,032	70,097	--
Due to other funds	306,281	--	--	306,281	--
Due to other agencies	471,297		8,814	480,111	--
Deferred revenues	193,776	783,979	247,172	1,224,927	--
Compensated absences	48,483	--	5,920	54,403	--
Mortgages payable	152,615		--	152,615	--
Total current liabilities	1,595,937	2,462,658	474,382	4,532,977	20,366
Long-Term Liabilities:					
Security deposits and escrows payable (payable from restricted assets:)	637,258	--	--	637,258	--
Compensated absences	145,442	18,183	15,819	179,444	--
Deferred interest due on long-term debt	786,747	--	--	786,747	--
Long-term debt	4,954,386	--	--	4,954,386	--
Estimated claims	--	--	--	--	18,613,000
Total noncurrent liabilities	6,523,833	18,183	15,819	6,557,835	18,613,000
Total liabilities	8,119,770	2,480,841	490,201	11,090,812	18,633,366
NET ASSETS					
Invested in capital assets, net of related debt	17,838,427	1,709,603	7,866,226	27,414,256	--
Restricted	9,883,350	--	--	9,883,350	--
Unrestricted	3,001,575	9,427,959	2,503,961	14,933,495	4,906,456
Total net assets	30,723,352	11,137,562	10,370,187	52,231,101	4,906,456
Total liabilities and net assets	$ 38,843,122	$ 13,618,403	$ 10,860,388	$ 63,321,913	$ 23,539,822

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

COUNTY OF MARIN

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities				Governmental Activities
	Housing Authority	Transit District	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:					
Charges for services	$ 3,880,406	$ 5,884,641	$ 6,821,334	$ 16,586,381	$ 3,175,199
Total operating revenues	3,880,406	5,884,641	6,821,334	16,586,381	3,175,199
Operating Expenses:					
Salaries and employee benefits	--	--	459,260	459,260	--
Services and supplies	--	21,891,968	$ 7,466,381	29,358,349	356,602
Housing assistance	34,677,988		--	34,677,988	--
Claims expense	--	--	--	--	3,195,640
Depreciation	1,228,464	357,798	180,736	1,766,998	--
Total operating expenses	35,906,452	22,249,766	8,106,377	66,262,595	3,552,242
Operating Income (Loss)	(32,026,046)	(16,365,125)	(1,285,043)	(49,676,214)	(377,043)
Non-Operating Revenues (Expenses):					
Property tax revenue	--	3,225,852	--	3,225,852	--
Intergovernmental revenue	32,259,021	15,447,892	998,997	48,705,910	--
Investment income	326,735	107,374	433,898	868,007	179,171
Interest expense	(212,895)	--	(959)	(213,854)	--
Total non-operating revenues (expenses)	32,372,861	18,781,118	1,431,936	52,585,915	179,171
Income (Loss) Before Capital Contributions	346,815	2,415,993	146,893	2,909,701	(197,872)
Capital contributions	795,202	2,099,797	--	2,894,999	--
Change in net assets	1,142,017	4,515,790	146,893	5,804,700	(197,872)
Net assets, beginning of year	29,581,335	7,134,969	10,223,294	46,939,598	5,104,328
Prior period adjustment	--	(513,197)	--	(513,197)	--
Net assets, beginning of year - restated	29,581,335	6,621,772	10,223,294	46,426,401	5,104,328
Net assets, end of year	$ 30,723,352	$ 11,137,562	$ 10,370,187	$ 52,231,101	$ 4,906,456

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

COUNTY OF MARIN

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Housing Authority	Transit District	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities					
Cash receipts from customers	$ 2,346,454	$ 6,031,299	$ 6,821,335	$ 15,199,088	$ --
Cash receipts from internal fund services provided	--	--		--	3,175,199
Cash paid for claims	--	--	--	--	(2,363,640)
Cash paid to suppliers for goods and services	(28,698,664)	(21,573,377)	(6,945,112)	(57,217,153)	(354,650)
Cash paid to employees for salaries and benefits	(4,710,030)	--	(801,748)	(5,511,778)	(25,675)
Net cash provided (used) by operating activities	(31,062,240)	(15,542,078)	(925,525)	(47,529,843)	431,234
Cash Flows from Noncapital Financing Activities					
Property tax revenues	--	3,229,446	--	3,229,446	--
Operating grants received	32,186,815	--	--	32,186,815	--
Intergovernmental revenues	--	15,007,551	1,246,168	16,253,719	--
Repayment of notes receivable	426,566	--	--	426,566	--
Repayment on notes payable		(100,000)	(400,000)	(500,000)	
Notes receivable issued	(241,385)	--	--	(241,385)	--
Deposits held on behalf of another entity	(47,500)	--	--	(47,500)	--
Interest received on notes receivable	140,854	--	--	140,854	--
Net cash provided (used) by noncapital financing activities	32,465,350	18,136,997	846,168	51,448,515	--
Cash Flows from Capital and Related Financing Activities					
Principal repayments on long-term debt	(144,756)	--	(45,791)	(190,547)	--
Capital contributions	795,202	2,099,797	--	2,894,999	--
Debt issued	101,468	--	--	101,468	
Interest repayments related to capital purposes	(151,360)	--	(959)	(152,319)	--
Proceeds from sale of capital assets	--	4,512	--	4,512	--
Payments related to the acquisition of capital assets	(835,727)	(1,530,126)	(410,764)	(2,776,617)	--
Net cash provided (used) by capital and related financing activities	(235,173)	574,183	(457,514)	(118,504)	--
Cash Flows from Investing Activity					
Interest and investments earnings received	183,092	107,374	433,899	724,365	179,169
Net increase (decrease) in cash and cash equivalents	1,351,029	3,276,476	(102,972)	4,524,533	610,403
Cash and cash equivalents, beginning of year	8,487,838	3,840,183	2,029,914	14,357,935	22,929,419
Cash and cash equivalents, end of year	$ 9,838,867	$ 7,116,659	$ 1,926,942	$ 18,882,468	$ 23,539,822

continued

COUNTY OF MARIN

Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities
	Housing Authority	Transit District	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (32,026,046)	$ (16,365,125)	$ (1,285,043)	$ (49,676,214)	$ (377,043)
Depreciation	1,228,464	357,798	180,736	1,766,998	--
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	--	146,656	--	146,656	--
Prepaid items and other assets	(119,774)	--	25,333	(94,441)	--
Increase (decrease) in:					
Accounts payable	--	318,593	139,919	458,512	1,952
Salaries payable	(39,736)	--	9,549	(30,187)	(25,675)
Deferred revenue	(132,385)	--		(132,385)	--
Liability for compensated absences	801	--	3,981	4,782	
Liability for estimated claims	26,436	--	--	26,436	832,000
Net Cash Provided (Used) by Operating Activities	$ (31,062,240)	$ (15,542,078)	$ (925,525)	$ (47,529,843)	$ 431,234

COUNTY OF MARIN

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Investment Trust	Agency Funds
ASSETS		
Current Assets:		
Cash and investments	$ 447,023,389	$ 21,497,455
Taxes receivable	--	30,643,686
Cash with fiscal agent	8,096,763	1,179,923
Other receivables	--	894,430
Due from other funds	--	306,281
Total current assets	455,120,152	54,521,775
LIABILITIES		
Agency funds held for others	--	54,521,775
Total liabilities	--	54,521,775
NET ASSETS		
Net assets held in trust for investment pool participants	455,120,152	--
Total net assets	455,120,152	--
Total liabilities and net assets	$ 455,120,152	$ 54,521,775

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

COUNTY OF MARIN

Statement of Changes in Fiduciary Net Assets
Investment Trust Fund
For the Year Ended June 30, 2009

Additions:	
Contributions to investment pool	$ 990,663,154
Total additions	990,663,154
Deductions:	
Distributions from investment pool	1,007,376,710
Total deductions	1,007,376,710
Change in net assets	(16,713,556)
Net assets, beginning	471,833,708
Net assets, ending	$ 455,120,152

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

BASIC FINANCIAL STATEMENTS –
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1: **Summary of Significant Accounting Policies**

A. **Reporting Entity**

The reporting entity refers to the scope of activities, organizations and functions included in the financial statements. The County of Marin (County) is a political subdivision created by the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The County operates under the general laws of the State and is governed by an elected five member Board of Supervisors (Board).

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

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County's Board.

As required by generally accepted accounting principles, these financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, if any, are reported in a separate column in the financial statements to emphasize that the component units are legally separate from the government. In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." The County has the following blended component units with June 30 year-ends and no discretely presented component units:

Note 1: **<u>Summary of Significant Accounting Policies</u>** (continued)

A. **Reporting Entity** (continued)

- Sewer Maintenance Districts
- County Service Area Districts
- Lighting Districts
- Permanent Road Districts
- Marin County Redevelopment Agency
- Golden Gate Tobacco Funding Corporation
- In Home Supportive Services Public Authority of Marin
- Marin County Fair
- Marin County Flood Control and Water Conservation Districts
- Marin County Housing Authority
- Marin County Law Library
- Marin County Open Space District
- Marin County Transit District

<u>The Golden Gate Tobacco Funding Corporation</u> (Corporation) is a nonprofit public benefit corporation. Its purpose is to acquire from the County all of the rights of the County in relation to future tobacco settlement payments and to borrow money secured by the County tobacco assets on behalf of the California Tobacco Securitization Agency. The Corporation provides service solely to the County and is reported as a debt service fund.

<u>The Housing Authority of the County of Marin</u> (the Authority) is governed by a seven member Board of Commissioners. Five members of the Board of Commissioners are also members of the Marin County Board of Supervisors. The Board of Supervisors also appoints two tenant commissioners. The Authority was formed on January 26, 1942, by a resolution of the Marin County Board of Supervisors. The Authority uses the calendar year as its fiscal year; therefore, the financial information related to the Authority represents the year ended December 31, 2008.

The Authority asserts, in their December 31, 2008 financial report, that it is not a blended component unit of the County of Marin. Management of the County believes that the Authority is governed by the County Board of Supervisors and thus under GASB 14 should appropriately be included as a blended component unit in the financial statements of Marin County.

The financial statements of the Authority are available by contacting the Authority at 4020 Civic Center Drive , San Rafael, CA 94903.

<u>The Marin County Redevelopment Agency</u> (the Agency) includes the accounts for the Agency, the Gateway Improvement Authority, the Community Facilities District No. 1, Marin City U.S.A. Public Improvements and the Gateway Refinancing Authority.

Note 1: **Summary of Significant Accounting Policies** (continued)

A. **Reporting Entity** (continued)

The Agency was activated in June 1958. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities.

The financial statements of the Agency may be obtained at the County of Marin's Department of Finance office.

The Marin County Transit District is an autonomous district created by the authority of the Marin County Transit District Act of 1964. The District's purpose is to develop, finance, organize, and provide local Marin County transit service. Revenues are derived principally from property taxes, aid from other governmental entities, transportation contract revenue, and transit fare revenue. The financial statements of Marin County Transit District are available at the Department of Finance, 225 Civic Center, Room 225, San Rafael, CA 94903.

The County also includes as a blended component unit the County Fair Operations which has a December 31 year-end. Information regarding the availability of separate individual component unit financial statements may be obtained at the County of Marin's Department of Finance office.

B. **Basis of Presentation**

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Interest expense related to long term debt is reported as a direct expense. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Note 1: **Summary of Significant Accounting Policies** (continued)

B. **Basis of Presentation** (continued)

Government-Wide Financial Statements (continued)

Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

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

- The *Flood Control and Water Conservation Districts Fund* is used to account for the activities of various special districts whose primary purpose is flood control and water conservation.

The County reports the following major enterprise funds:

- The *Housing Authority of the County of Marin* accounts for the activities of the Authority, a blended component unit of the County. The Authority provides housing assistance to low and moderate income residents of Marin County.

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

Note 1: **Summary of Significant Accounting Policies** (continued)

B. **Basis of Presentation** (continued)

Fund Financial Statements (continued)

The County reports the following additional fund types:

- *Internal Service Funds* are used to account for activities related to the County's workers compensation self-insurance plan provided to other departments or agencies of the County on a cost reimbursement basis.

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

- The *Agency Funds* account for assets held by the County as an agent for various local governments.

C. **Basis of Accounting**

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

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Most revenue sources such as sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within three hundred and sixty days after the end of the accounting period provided such proceed is both measurable and available. Property taxes revenue, however, is accrued no later than sixty days after the end of the accounting period, subject to the same measurability and availability criteria. Expenditures are generally recorded when a liability is incurred, as under accrual

Note 1: **Summary of Significant Accounting Policies** (continued)

C. **Basis of Accounting** (continued)

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

D. **Non-Current Governmental Assets/Liabilities**

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

E. **Cash and Cash Equivalents**

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

F. **Receivables**

Tax receivables are fully collectible, hence no allowance for uncollectible on taxes receivable is required.

G. **Inventories**

Inventories are valued at the lower of average cost or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an asset at the time individual inventories are purchased and charged to expenditures/expenses when used.

Note 1: **Summary of Significant Accounting Policies** (continued)

H. **Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

I. **Property Tax Revenue**

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

Beginning in 1993-1994, the County of Marin adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" provided for in Revenue and Taxation Code Sections 4701-4717, which is commonly known as the "Teeter Plan". The Teeter Plan has no impact on tax rates or collection procedures. It merely changes the way the collections of delinquent taxes and penalties are distributed among the taxing agencies. Those agencies participating in the Teeter Plan receive 100% of the secured property taxes billed each year without regard to delinquencies. The General Fund covers the delinquent amount to all agencies and, in return, receives the delinquent taxes, penalties and interest when collected. As a result of the Teeter Plan, secured property tax receivables are recorded in the General Fund only, and there is no allowance for uncollectible amounts. Penalties and interest are deposited into the Tax Loss Reserve Fund. Once the Tax Loss Reserve Fund balance exceeds 25% of the secured delinquent roll, the excess can be credited to the General Fund.

Both unsecured property taxes and supplemental secured property taxes fall outside the perimeter of the Teeter Plan. Receivables for these two types of taxes are accrued to taxing agencies, net of the uncollectible amount which is estimated based on prior year collections. For the fiscal year end 2008-09, General Fund records an estimated unsecured property taxes receivable of $886,834; and Agency Fund records an estimated supplemental secured taxes receivable of $709,522.

J. **Long-Term Receivables**

Non-current portions of long-term receivables for governmental fund types are reported on their balance sheets, in spite of their measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred until they become current receivables. Non-current portions of long-term loans receivables are offset by fund balance reserve accounts.

Note 1: **Summary of Significant Accounting Policies** (continued)

K. Capital Assets

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

The estimated useful lives are as follows:

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

L. Compensated Absences

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

M. Inter-fund Transactions

Inter-fund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". 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 available financial resources.

Note 1: **Summary of Significant Accounting Policies** (continued)

M. **Inter-fund Transactions** (continued)

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

N. **Estimates**

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

Note 2: **Cash and Investments**

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

The County Pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County’s investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

Note 2: **Cash and Investments** (continued)

The County Pool has been rated since 1994 by Fitch Ratings and has maintained the highest rating of 'AAA' since inception. The pool's 'AAA' rating reflects the high credit quality of portfolio assets, appropriate management oversight, and operational capabilities. In addition, Fitch ratings rate the pool 'V1+' for volatility. This rating reflects low market risk and a capacity to return stable principal value to participants, as well as to meet anticipated cash flow needs, even in adverse interest rate environments.

Fair values were obtained from the County's investment custodian statement for all investments having greater than 90 days to maturity.

Cash and investments at June 30, 2009, consist of the following:

Cash and Investments in County Pool	
Cash	$ 12,251,995
Investments	775,374,950
Specific investment in treasury	1,379,264
	789,006,209
Less outstanding warrants and other reconciling items	(24,530,630)
Total Cash and Investments in County Pool	764,475,579
Cash and Investments Outside County Pool	
Cash on hand	300
Other deposits	3,824,592
Investments of blended component unit	8,416,365
Investments with fiscal agent	14,245,252
Total Cash and Investments	$ 790,962,088

Total cash and investments at June 30, 2009 were presented on the County's financial statements as follows:

Primary Government	$ 313,164,558
Investment Trust Fund	455,120,152
Agency Funds	22,677,378
	$ 790,962,088

Investments

The following table identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Note 2: Cash and Investments (continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	2 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
State of California Obligations	2 Years	None	None
Banker's Acceptances	180 days	30%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	2 Years	30%	None
Repurchase Agreements	1 Year	None	None
Medium Term Notes	2 Years	30%	None
Mutual Funds/Money Market Mutual Funds	N/A	20%	10%
Time Deposits	2 Years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

At June 30, 2009, the County had the following investments:

	Interest Rates	Maturities	Par Value	Fair Value	Book Carrying Value	WAM (Years)
Pooled Investments						
Federal Agency Obligations	1.20%-4.00%	7/2/09-6/29/12	$ 693,088,000	$ 694,141,229	$ 688,935,065	0.54
US Treasury Securities	1.935%	7/30/09	5,000,000	4,999,350	4,911,850	0.08
Money Market	Variable	On Demand	81,297,339	81,297,339	81,297,339	- -
California Local Agency Investment Fund (LAIF)	Variable	On Demand	230,696	230,696	230,696	- -
Total pooled investments			$ 779,616,035	$ 780,668,614	$ 775,374,950	0.48
Specific Investments in Treasury						
California Local Agency Investment Fund (LAIF)	Variable	On Demand	$ 1,379,264	$ 1,379,264	$ 1,379,264	- -
			$ 1,379,264	$ 1,379,264	$ 1,379,264	
Investments Outside Investment Pool						
Cash held with fiscal agent						
Money Market Mutual Funds	Variable	On Demand	$ 6,856,366	$ 6,855,825	6,855,825	- -
Federal Agency Obligations	3.26%-5.30%	8/13/10-2/27/13	2,503,413	2,588,245	2,588,245	2.15
Investment Contracts	4.77% - 5.70%	8/12/15-6/1/47	4,801,182	4,801,182	4,801,182	24.14
			14,160,961	14,245,252	14,245,252	8.53
Investments of Blended Component Units						
California Local Agency Investment Fund (LAIF)	Variable	On Demand	8,416,365	8,416,365	8,416,365	- -
Total investments outside investment pool			$ 22,577,326	$ 22,661,617	$ 22,661,617	

Note 2: **Cash and Investments** (continued)

At June 30, 2009 the difference between the book and fair value of cash and investments was not material (book value was 99.3% of fair value). Therefore, an adjustment to fair value was not recorded.

Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2009, the County Treasury's investment pool had a weighted average maturity of .48 years, or less than 5.76 months.

For purposes of computing weighted average maturity, the maturity date is used for all callable securities.

Credit Risk

State law and the County's Investment Policy limit investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA."

Concentration of Credit Risk

At June 30, 2009, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in Negotiable Certificates of Deposit of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund.

At June 30, 2009, the County had the following investments in any one issuer that represent 5 percent or more of the total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded because they are not a concentration of credit risk.

Federal Home Loan Bank	29.65%
Federal Home Loan Mortgage Corp.	21.90%
Federal National Mortgage Association	32.97%

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2009.

Note 2: **Cash and Investments** (continued)

	S&P	Moody's	% of Portfolio
Investments in Investment Pool			
Federal Agencies Coupon	AAA	Aaa	16.12%
Federal Agencies Discount	A-1+	P-1	72.73%
US Treasury Securities	AAA	Aaa	0.63%
Money Market Mutual Funds	AAA	Aaa	10.49%
California Local Agency Investment Fund (LAIF)	Unrated	Unrated	0.03%
			100.00%

Custodial Credit Risk

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2009, the County's pooled investment position in the State of California Local Agency Investment Fund (LAIF) was $1,609,960 which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was $50.74 billion. Of that amount, 85.29% was invested in non-derivative financial products and 14.71% in structured notes and asset-backed securities. Fair value is based on information provided by the State for the Local Agency Investment Fund.

Restricted cash

Cash held by the Housing Authority in the amount of $7.3 million is restricted as to use by grantors.

Note 2: **Cash and Investments** (continued)

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2009:

Statement of Net Assets

Net assets held for pool participants	$	764,475,579
Equity of internal pool participants	$	317,452,190
Equity of external pool participants		447,023,389
Total net assets	$	764,475,579

Statement of Changes in Net Assets

Net assets, beginning of year	$	786,628,815
Net change in investments by pool participants		(22,153,236)
Net assets, end of year	$	764,475,579

Note 3: **Notes Receivable**

Notes receivable consists of following activities:

	Balance July 1, 2008	Notes Issued	Repayments	Loans Forgiven	Balance June 30, 2009
Governmental Activities:					
General Fund:					
The County has issued a loan to the Marin Health Care District, an entity that has recently separated from Sutter Health Group. The loan is being utilized by the District to assist with temporary cash flow. Subsequent to year-end the County issued an additional loan of $6,000,000	$ --	$ 4,500,000	$ --	$ --	$ 4,500,000
Amounts are owed to the County from various cities and towns for overpayment of courts fees. Amounts are being repaid over a five year period at an annual interest rate of 3.87%. Final payments are due November 2011.	2,294,140	--	763,361	--	1,530,779
Short-term financing for start-up cost of an Adult Day Care program due June 2010.	--	400,000	333,331	--	66,669
Marin Energy Authority, a joint power authority dedicated for renewable energy production, has received an interest-free loan from the County to aid its initial business development.	--	330,000	--	--	330,000
Subtotal General Fund	2,294,140	5,230,000	1,096,692	--	6,427,448

Note 3: **Notes Receivable** (continued)

	Balance July 1, 2008	Notes Issued	Repayments	Loans Forgiven	Balance June 30, 2009
Other Governmental Funds:					
County's Redevelopment Agency has provided long-term funding to numerous local-based non-profit organizations for aforable housing construction and rehabilitiation. These notes are due at various time frames through 2064. Given the long-term nature of these loans, fund balance reserves have been set-aide for the full amount of the loans.	6,738,879	376,335	203,554	--	6,911,660
Total Governmental Activities	$ 9,033,019	$ 5,606,335	$ 1,300,246	$ --	$ 13,339,108

	Balance January 1, 2008	Notes Issued	Repayments	Loans Forgiven	Balance December 31, 2008
Business-Type Activities:					
County's component unit - Marin Housing Authority - manages a porfolio of lending programs to assit qualified homeoners and renters with rehabilitation expenses, down payments on home purchases and rental security deposits.	$ 3,995,371	$ 335,822	$ (430,484)	$ (225)	3,900,484

Note 4: **Deferred Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenues considered unavailable to fund expenditures of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2009, the various components of deferred revenue for governmental funds were as follows:

	Unavailable	Unearned	Total
Governmental activities:			
General Fund:			
Courts notes receivable	$ 1,529,779	$ --	$ 1,529,779
Reimbursable grants	--	212,579	212,579
Property taxes	886,834	--	886,834
Advances from other governments	--	1,172,654	1,172,654
Fees for services	--	662,201	662,201
	$ 2,416,613	$ 2,047,434	$ 4,464,047

Note 5: **Interfund Transactions**

The composition of interfund balances as of June 30, 2009, is as follows:

Due to other funds

Receivable fund	Payable fund	Amount	Purpose
General Fund	Flood Control Zones	$ 520,000	Temporary loan to County's component unit - Flood Control Zone #1 for creek corridor modification and dredging projects.
	Flood Control Zones	166,667	Temporary loan to County's component unit - Flood Control Zone #7 for water pump station replacement.
Agency Funds	Housing Enterprise Fund	306,281	Loans to aid affordable housing project
		$ 992,948	

Advances to other funds

Receivable fund	Payable fund	Amount	Purpose
General Fund	Flood Control Zones	$ 2,080,000	Long-term portion of the loan made to County's component unit - Flood Control Zone #1 for creek corridor modification and dredging projects.
	Flood Control Zones	166,667	Long-term portion of the loan made to County's component unit - Flood Control Zone #7 for water pump station replacement.
Other Governmental Fund	Other Governmental Fund	45,400	Loan made to County's Environmental Health program for waste water sewage modernization project.
		$ 2,292,067	

Note 5: **Interfund Transactions** (continued)

Transfers

Transfers are indicative of funding for capital projects, subsidies of various County operations and re-allocations of special revenues. The following schedule summarizes the County's transfer activity:

Transfer from	Transfer to	Amount	Purpose
General Fund	General Fund	$ 373	Tobacco Fund
	Nonmajor Governmental Funds	4,635,666	To fund capital projects
	Nonmajor Governmental Funds	5,440,235	Pension obligation bond contribution
	Nonmajor Governmental Funds	1,152,043	To fund operations
	Nonmajor Governmental Funds	2,185,514	Debt Service
		13,413,831	
Nonmajor Governmental Funds	General Fund	238,102	Semi-annual transfer to County Service Area #28 - West Marin Paramedic
	General Fund	580,292	Assessment fees transfer from County Service Area #31 - County Fire Protection
	General Fund	4,226,179	Transfer of special assessment proceed to be used in fire protection service
	Nonmajor Governmental Funds	208,778	To fund operations
	Nonmajor Governmental Funds	2,271,032	Debt Service
	Nonmajor Governmental Funds	345,584	Redevelopment Agency's incremental taxes used for low-income housing project
	Nonmajor Governmental Funds	480,392	Principal and interest payments on bonds, debt service
	Nonmajor Governmental Funds	131	Close out McInnis Park Golf Deposit
	Nonmajor Governmental Funds	59,469	To fund open space and library operations
	Total	8,409,959	
		$ 21,823,790	

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Audited Balance 6/30/08	Additions	Deletions	Adjustments/ Transfers	Audited Balance 6/30/09
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 13,457,965	$ --	$ --	$ 8,600,000	$ 22,057,965
Infrastructure land	1,204,963,424	--	--	--	1,204,963,424
Easements	2,595,729	103,459	--	--	2,699,188
Construction in progress	48,756,681	22,123,923	--	(62,556,488)	8,324,116
Total capital assets, not being depreciated	1,269,773,799	22,227,382	--	(53,956,488)	1,238,044,693
Capital assets, being depreciated:					
Structures and improvements	146,490,532	--	--	49,920,475	196,411,007
Equipment	40,246,748	3,084,915	(1,211,465)	2,948,299	45,068,497
Infrastructure	297,107,697	--	--	1,134,200	298,241,897
Total capital assets, being depreciated	483,844,977	3,084,915	(1,211,465)	54,002,974	539,721,401
Less accumulated depreciation for:					
Structures and improvements	(73,400,754)	(7,073,612)	--	--	(80,474,366)
Equipment	(32,319,832)	(3,412,047)	1,165,862	61,479	(34,504,538)
Infrastructure	(226,225,805)	(9,856,684)	--	--	(236,082,489)
Total accumulated depreciation	(331,946,391)	(20,342,343)	1,165,862	61,479	(351,061,393)
Total capital assets, being depreciated, net	151,898,586	(17,257,428)	(45,603)	54,064,453	188,660,008
Governmental activities capital assets, net	$ 1,421,672,385	$ 4,969,954	$ (45,603)	$ 107,965	$ 1,426,704,701
Business-Type Activities					
Capital assets, not being depreciated:					
Land	$ 7,049,682	$ --	$ --	$ --	$ 7,049,682
Construction in progress	1,078,666	1,205,966	--	--	2,284,632
Total capital assets, not being depreciated	8,128,348	1,205,966	--	--	9,334,314
Capital assets, being depreciated:					
Structures and improvements	43,093,906	42,159	(29,175)	53,887	43,160,777
Equipment	2,247,626	1,420,699	(96,984)	(53,887)	3,517,454
Other property	3,450,791	--	(23,899)	--	3,426,892
Total capital assets, being depreciated	48,792,323	1,462,858	(150,058)	--	50,105,123
Less accumulated depreciation for:					
Structures and improvements	(21,771,246)	(1,304,643)	29,175		(23,046,714)
Equipment	(1,436,667)	(368,308)	96,984	--	(1,707,991)
Other property	(1,000,299)	(94,047)	23,899	--	(1,070,447)
Total accumulated depreciation	(24,208,212)	(1,766,998)	150,058	--	(25,825,152)
Total capital assets, being depreciated, net	24,584,111	(304,140)	--	--	24,279,971
Business-type activities capital assets, net	$ 32,712,459	$ 901,826	$ --	$ --	$ 33,614,285

Note 6: **Capital Assets** (continued):

Depreciation

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General Government	$ 8,953,176
Public Protection	1,204,553
Public Ways & Facilities	9,691,352
Health and Sanitation	109,783
Public Assistance	19,376
Recreation	230,064
Education	134,039
Total Depreciation Expense – Governmental Activities	$ 20,342,343

Business-type activities:	
Housing Authority	$ 1,228,464
County Fair	73,745
Airport	106,991
Transit	357,798
Total Depreciation Expense – Business-Type Activities:	$ 1,766,998

Note 7: **Liabilities under Self-Insurance and Risk Management**

Workers' Compensation

The County is permissibly self-insured for the first $1,000,000 of workers' compensation claims per occurrence. The County provides for excess workers' compensation insurance above the $1,000,000 retention through a policy with Arch Insurance Company, (AM Best Rate A XV) with statutory limits (optimum no limit coverage per claim). The independent actuarial analysis (August 2009), concludes that given program assets, as of June 30, 2009, the program is funded between 65 and 70% confidence level.

The actuarially determined outstanding claims liability and claims including incurred but not reported claims, adjustment expense liability (at 80 percent confidence level, after recognition of anticipated investment income) as of June 30, 2009 is $18,613,000.

Note 7: **Liabilities Under Self-Insurance and Risk Management** (continued)

Workers' Compensation (continued)

Worker's Compensation

	2009	2008
Liability Balance, Beginning of Fiscal Year	$ 17,781,000	$ 17,781,000
Current year claims and changes in estimates	3,513,118	3,158,558
Claim payments	(2,681,118)	(3,158,558)
Liability Balance, End of Fiscal Year	$ 18,613,000	$ 17,781,000

General Liability

The County maintains a self-insured retention (SIR) of $1,000,000 per occurrence for its general liability program. Losses, which exceed the SIR, are covered by an excess insurance policy through Everest National Insurance Company (AM Best Rated A+ XV) first layer and Allied World National Assurance Company (AM Best Rated A XV) second layer, for combined limit of $25 Million. The independent actuarial analysis (August 2009), concludes that given program assets, as of June 30, 2009, the program is funded above the 90% confidence level.

The actuarially determined outstanding claims liability and claims including incurred but not reported claims, adjustment expense liability (at 80 percent confidence level, after recognition of anticipated investment income) as of June 30, 2009 is $5,172,000.

The following represents changes in those aggregate liabilities for the fund at June 30, 2009.

General Liability

	2009	2008
Liability Balance, Beginning of Fiscal Year	$ 4,339,000	$ 4,329,000
Current year claims and changes in estimates	1,695,000	2,780,544
Claim payments	(862,000)	(2,770,544)
Liability Balance, End of Fiscal Year	$ 5,172,000	$ 4,339,000

Note 8: **Long-Term Obligations**

The following table summarizes the changes in the County's long-term obligations for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Adjustments		Balance June 30, 2009	Amounts Due Within One Year
Governmental Activities							
Bonds Payable							
Revenue bonds payable	$ 11,670,000	$ --	$ 280,000	$ --		$ 11,390,000	$ 310,000
Taxable pension obligation bonds 2003	112,805,000	--	50,000	--		112,755,000	430,000
Tobacco settlement asset-backed bonds - 2007	49,693,208	--	1,180,000	734,625	*	49,247,833	426,722
Less: unamortized discount	(808,502)	--	(62,193)	--		(746,309)	--
Loans payable	1,837,553	553,345	42,249	49,517	*	2,398,166	42,070
Certificates of Participation:							
Certificates of participation 2001	12,860,000	--	300,000	--		12,560,000	315,000
Certificates of participation 1998 Series A	18,510,000	--	840,000	--		17,670,000	880,000
Certificates of participation 1998 Series B	7,740,000	--	1,965,000	--		5,775,000	2,050,000
Capital leases payable	912,583	304,413	334,831	--		882,165	324,613
Compensated absences	12,877,193	11,435,852	10,643,877	--		13,669,168	11,083,302
Claims liability	22,120,000	5,208,118	3,543,118	--		23,785,000	--
Total Governmental Activities Long-term liabilities	$ 250,217,035	$ 17,501,728	$ 19,116,882	$ 784,142		$ 249,386,023	$ 15,861,707
Business-type Activities							
Notes payable - HCD	$ 2,861,319	$ --	$ --	$ --		$ 2,861,319	$ --
Mortgages payable - Housing	2,227,671	101,468	114,909	--		2,214,230	121,163
Other governmental agency loans	61,299	--	29,847	--		31,452	31,452
Capital leases payable	45,791	--	45,791	--		--	--
Compensated absences	202,547	78,025	46,725	--		233,847	54,403
Total Business-type Activities Long-term liabilities	$ 5,398,627	$ 179,493	$ 237,272	$ --		$ 5,340,848	$ 207,018

* Accretion expense on loan

The compensated absences liabilities attributable to the governmental activities are generally liquidated by the General Fund and related special revenue funds. Claims liability are liquidated by internal service funds for workers compensation claims and the General Fund for general liability claims.

Note 8: **Long-Term Obligations** (continued)

The following table summarizes the County's long-term obligations as of June 30, 2009:

	Maturity	Stated/Effective Interest Rates	Annual Principal Installments	Date of Issue	Amount Authorized	Outstanding June 30, 2009
Governmental Activities						
Certificates of Participation:						
1998 Series A (finance various capital projects)	2022	4.00%-5.00%	$685,000 - $1,645,000	1998	$ 24,725,000	17,670,000
1998 Series B (advance refund of outstanding 1991 Certificates)	2011	4.00%-5.00%	$1,615,000 - $2,135,000	1998	22,110,000	5,775,000
2001 Issue (finance capital improvement projects)	2032	4.70%-7.00%	$215,000 - $880,000	2001	14,100,000	12,560,000
Certificates of Participation Subtotal					60,935,000	36,005,000
Revenue Bonds:						
1998 Refunding Revenue bonds - Marin County Redevelopment Agency	2025	4.00%-5.50%	$160,000 - $1,320,000	1998	13,425,000	11,390,000
Pension Obligation Bonds:						
Taxable Pension Obligation Bonds Series A (fund pension liability)	2027	4.60%-5.41%	$50,000-$14,940,000	2003	112,805,000	112,755,000
Asset-Backed Bonds:						
Tobacco Settlement Asset-Backed Bonds Payable (Series 2007A through F)	2057	4.63%-6.90%	$485,000-$8,350,986	2007	49,870,081	49,247,833
Unamortized discount & issuance costs					(932,888)	(746,309)
Loans Payable:						
Energy Conservation Loan	2019	3.95%	$12,102-$21,517	2019	233,120	173,127
California Housing Finance Agency #1	2013	3.00%	Due on Maturity	2003	500,000	603,062
California Housing Finance Agency #2	2014	3.00%	Due on Maturity	2004	950,000	1,097,005
Energy Resource Conservation - Solar Panels	2023	4.50%	$28,373-$49,287	2009	553,345	524,972
Loans Payable Subtotal					2,236,465	2,398,166
Capital Leases:						
Ballot Counting Equipment	2010	5.25%	$17,835-$112,097	1999	931,000	29,706
Sweeper	2010	3.85%	$12,675-$14,745	2005	68,452	14,198
SAP Servers	2011	4.04%	$167,090-$195,772	2006	905,735	383,942
CISCO Network	2013	3.17%	$34,643-$39,249	2008	184,549	149,906
Server Upgrade	2014	3.47%	$56,798-$65,109	2008	304,413	304,413
Capital Leases Subtotal					2,394,149	882,165
Compensated absences					13,669,167	13,669,167
Claims liabilities					23,785,000	23,785,000
Total Governmental Activities Long-term Liabilities					$ 278,186,974	$ 249,386,022
Business-Type Activities						
Notes Payable - HCD	2014	0 - 3%	Deferred	2006	2,861,319	2,861,319
Mortgages Payable:						
Office building	2012	5.82%	Various	1997	1,200,000	995,665
Housing	2011	5-8%	Various	1999	1,359,214	1,218,565
Mortgages Payable Subtotal					2,559,214	2,214,230
Loans to other governmental agencies	2009	5.25%	Various	2005	89,623	31,452
Compensated absences					233,847	233,847
Total Business-type Activities Long-term Liabilities					$ 5,744,003	$ 5,340,848

Note 8: **Long-Term Obligations** (continued)

As of June 30, 2009, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30:	Governmental Activities: Bonds Payable Principal	Bonds Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Loans Payable Principal	Loans Payable Interest
2010	$ 1,166,722	$ 8,491,712	$ 3,245,000	$ 1,613,241	$ 42,071	$ 30,016
2011	1,655,591	8,428,017	3,380,000	1,467,096	43,904	28,182
2012	2,055,830	8,341,147	3,535,000	1,314,721	45,748	26,339
2013	2,616,722	8,234,999	1,365,000	1,205,731	650,874	93,171
2014	3,230,591	8,100,994	1,425,000	1,143,241	49,897	22,190
2015-2019	27,147,119	37,243,128	8,265,000	4,611,879	1,381,042	256,113
2020-2024	52,247,425	27,126,146	8,825,000	2,373,908	184,630	19,206
2025-2029	48,250,333	10,913,322	3,455,000	1,021,909	--	--
2030-2034	5,585,000	5,797,500	2,510,000	182,875	--	--
2035-2057	28,702,875	190,488,875	--	--	--	--
Subtotal	172,658,208	313,165,840	36,005,000	14,934,601	2,398,166	475,217
Less Unamortized Discount	(746,309)	--	--	--	--	--
	$ 171,911,899	$ 313,165,840	$ 36,005,000	$ 14,934,601	$ 2,398,166	$ 475,217

Year Ending June 30:	Business-Type Activities: Mortgages Payable Principal	Mortgages Payable Interest	Business-Type Activities: Other Governments Principal	Other Governments Interest
2009	$ 121,163	$ 147,510	$ 31,452	$ 902
2010	84,225	137,838	--	--
2011	85,149	132,260	--	--
2012	965,942	111,328	--	--
2013	871,763	61,370	--	--
2014-2018	376,893	237,981	--	--
2019-2023	519,253	90,983	--	--
Total	$ 3,024,388	$ 919,270	$ 31,452	$ 902

Note 8: **Long-Term Obligations** (continued)

Capital Lease Obligation

The County leases equipment, principally for data processing, reproduction and transportation, under certain lease obligations accounted for as capital leases. Included in the governmental and business-type funds are the following fixed asset amounts under capital leases:

	Governmental Activities
Equipment	$ 2,206,014
Less: Accumulated depreciation	(1,543,449)
	$ 662,565

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2009:

Year Ending June 30:	Governmental Activities
2010	$ 356,256
2011	311,545
2012	107,864
2013	107,863
2014	67,368
Total Debt Service Requirements	950,896
Less Amount Representing Interest	68,731
Present Value of Remaining Payments	$ 882,165

Note 8: **Long-Term Obligations** (continued)

Operating Lease Obligation

The County is committed under various operating leases for office space and computer equipment. The minimum future lease commitments in these leases are as follows:

Year Ending June 30:	Office Space	Computers	Total
2010	$ 2,852,674	$ 929,275	$ 3,781,949
2011	2,362,908	746,887	3,109,795
2012	1,634,960	619,169	2,254,129
2013	1,301,827	--	1,301,827
2014	880,312	--	880,312
2015-2019	1,402,141	--	1,402,141
2020-2046	207,999	--	207,999
Total	$ 10,642,821	$ 2,295,331	$ 12,938,152

Prior Year Defeasance of Debt

In prior years, the County defeased certain tobacco settlement asset bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At June 30, 2009, outstanding general obligation bonds in the amount of $29,590,000 are considered defeased.

Note 9: **Fund Balances/Net Assets**

A. **Fund Balances**

The County has "reserved" fund balances as follows:

- *Reserve for Encumbrances* was created to represent encumbrances outstanding at the end of the year based on purchase order and contracts signed by the County but not yet completed as of the close of the fiscal year.

- *Reserve for Prepaid Expenses* represents expenses paid in the financial statement year for services not yet performed.

- *Reserve for Advances to other funds* represents a portion of the fund balance that is not available for expenditure because County made long-term loan to certain Community Services Districts for local capital projects.

Note 9: **Fund Balances/Net Assets**

A. **Fund Balances**

- *Reserve for Inventories* represents a portion of the fund balance that is not available for expenditure because the County expects to use these resources within the next budgetary period.

- *Reserve for Notes receivables* represents a portion of fund balance that is not available for expenditure because the collections of such receivables are set at future fiscal periods.

- *Designations of Unreserved Fund Balance* are created to indicate tentative management plans for financial resource utilization in a future period, such as for subsequent fiscal period expenditures, general contingencies or service of debt. Such plans or intent are subject to change and might never be legally authorized or result in expenditures.

- *Undesignated Unreserved Fund Balance* indicates available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., designations).

B. **Net Assets**

- *Invested in capital assets, net of related debt* is the amount representing capital assets, net of accumulated depreciation, and reduced by the outstanding bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- *Restricted net assets* is the amount representing those net assets whose usage are subject to limitation and constraint imposed by either external parties (such as creditors, grantors, other governments) or law through constitutional provisions / enabling legislation.

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

Note 10: **Employees' Retirement Plan**

Plan Description

The County's retirement plan is administered by the Board of Retirement of the Marin County Employees' Retirement Association (MCERA) a multiple-employer retirement system governed by the 1937 Act of the state government code. It covers employees eligible for membership and provides retirement, disability, death and survivor benefits based upon specified percentages of final compensation as well as annual cost-of-living adjustments after retirement. Contributions are made by both the County and the employees.

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

Funding Policy

Members are required to contribute to the County's plan, based on their age at the time of entry into the Plan. Under the provisions of the County's pension plan, pension benefits vest after five years of credited service. The County's annual contributions are actuarially determined. The following assumptions were used in the most recent actuarial valuation as of June 30, 2009.

- Real rate of return is assumed to be 4.0% per year.
- Cost of Living Adjustment is capped maximum at 3.8%
- Rate of salary increase is assumed to be 4.00% for the general plan and safety plan.

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

Annual Pension Cost

For the fiscal year ended June 30, 2008, the County's annual pension cost was $39,656,000.

Funding of the Plan is determined under the "entry age normal" method, which provides for funding of annual normal cost and the unfunded prior service costs over a period of 21 years. This includes amortization of the unfunded present value of credited projected benefits. All administrative costs of the system are borne by MCERA.

Note 10: **Employees' Retirement Plan** (continued)

Three-Year Trend Information (in thousands)

Year Ending June 30:	Annual Pension Cost (APC)	Percentage of APC Contributed
2008	$ 39,656	100.0%
2007	42,416	100.0%
2006	36,870	100.0%

In addition to the annual required contribution, the County recognized an additional expense of $4,700,210, the current year amortization relating to the County's net pension asset. The change in the pension asset is as follows:

Net pension asset, beginning of year	$ 89,303,950
Net pension asset, end of year	$ 84,603,740

Funded Status of County Defined Benefits Pension Plan (in thousands)

Valuation Date (Most Recent Data Available) June 30:	Actuarial Value of Plan Assets	Actual Accrued Liability	Unfunded Accrued Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$ 1,111,115	$ 1,280,206	$ 169,091	86.80%	$ 173,735	97.33%
2007	1,013,543	1,141,736	128,193	88.80%	159,177	80.50%
2006	908,767	1,090,344	181,578	83.00%	149,527	121.40%

Note 11: **Other (than pensions) Postemployment Benefits (OPEB) Plan**

A. **Plan Description**

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

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

Note 11: **<u>Other (than pensions) Postemployment Benefits (OPEB) Plan</u>** (continued)

A. **Plan Description** (continued)

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

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

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

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

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

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

B. **Funding Policy**

Contribution policy is determined by the County. The County's Plan has been funded on a pay-as-you-go basis. For fiscal year 2008/09, the County contributed $11,031,301 in premium payments for retirees.

In addition, the County is studying various options for funding the Plan and has annually set aside cash designated cash in the General Fund for that purpose. As of June 30th 2009, the total set aside for retirement rate stabilization is $4,000,000.

Note 11: **Other (than pensions) Postemployment Benefits (OPEB) Plan** (continued)

C. **Annual Other Postemployment Benefit Cost and Net Obligation**

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

The 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	$ 41,265,000
Interest on net OPEB obligation	1,568,850
Adjustment to annual required contribution	--
Annual OPEB cost (expense)	42,833,850
Benefit payments made (adjusted for mid-year payment)	(11,031,301)
Increase in net OPEB obligation	31,802,549
Net OPEB obligation - beginning of year	31,377,000
Net OPEB obligation - end of year	$ 63,179,549

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

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	End of Year Net OPEB Obligation
2009	$ 42,833,850	25.75%	$ 63,179,549
2008	41,265,000	24.00%	31,377,000

Note 11: **Other (than pensions) Postemployment Benefits (OPEB) Plan** (continued)

D. **Funded Status**

Based on July 1, 2005, the date of County's most recent actuarial data on funded status was:

Actuarial Accrued Liability (AAL)	$ 378,183,000
Actuarial Value of Plan Assets	--
Unfunded Actuarial Accrued Liability (UAAL)	378,183,000
Funded Ratio (Actuarial value of plan assets/AAL)	0%
Covered Payroll (active plan members)	129,763,000
UAAL as a Perctentage of Covered Payroll	291.4%

E. **Actuarial Methods and Assumptions**

Actuarial calculations reflect a long-term perspective. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

Actuarially determined amounts are subject to constant revision as actual results are compared to past expectations and new estimates are made about the future.

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

In the June 30, 2005 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), a 4.0% inflation rate, Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on the MCERA June 30, 2005 actuarial valuation assumptions.

The Unfunded Actuarial Accrued Liability UAAL was amortized over an open period of 30 years as a level percentage of payrolls.

Note 11: **Other (than pensions) Postemployment Benefits (OPEB) Plan** (continued)

E. **Actuarial Methods and Assumptions** (continued)

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/05	$ --	$ 310,945	$ 310,945	0%	$ 129,763	239.6%

Note 12: **Commitments and Contingent Liabilities**

Certain claims and legal actions have been made against the County. The County will contest and vigorously defend any significant legal actions. It is the County's opinion that insurance coverage and designated fund balances are sufficient to cover any potential losses.

Note 13: **Restatement of Net Assets and Fund Balances**

The impact of the restatement of the fund balances/net assets as previously reported is presented below:

Business-Type Activities	Government-Wide Statement of Business-Type Activities	Fund Financial Statements Proprietary Funds Housing Authority	Transit District	Nonmajor Enterprise
Fund balances/net assets, June 30, 2008, as previously reported	$ 46,939,598	$ 29,581,335	$ 7,134,969	$ 10,223,294
Prior period adjustments	(513,197)	--	(513,197)	--
Fund balances/net assets, July 1, 2008, as restated	$ 46,426,401	$ 29,581,335	$ 6,621,772	$ 10,223,294

The adjustment to net assets was to correct for early recognition of grant revenue.

Note 14: Excess Expenditures Over Appropriations

Total expenditures exceeded those budgeted for the year in the following funds:

General Fund - Public Ways and Facilities	$ 1,974,175
General Fund - Capital Outlay	2,696,936
General Fund - Debt Service - Principal	42,249
General Fund - Debt Service - Interest	29,856

The County budgets and controls by department or "fund centers" while the General Fund budget comparison schedule is presented on a different basis – functional activity. When actual expenditures are compared to budgeted expenditures by department there are no expenditures in excess of budget.

Note 15: Deficit Fund Balance

The Employee Retirement Operations fund had a deficit fund balance of $215,236 as of year-end. The County plans to transfer funds from the General Fund to cover the deficit.

Note 16: New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* The County has determined that this statement will not have a significant impact on the County's reporting process. GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks and computer software. GASB No. 51 will be effective for the fiscal year ended June 30, 2010.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new statement are effective for financial statements for periods beginning after June 15, 2009. The County does not use derivative instruments.

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The definitions of the general fund, special revenue fund types, capital project fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities chosen to be reported in special revenue funds. The requirements of the Statement are effective for financial statements for period beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of this statement are required to be applied retroactively by restating beginning fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF MARIN

Schedule of Funding Progress
For the Year Ended June 30, 2009

Funded Status of County Defined Benefits Pension Plan (in thousands)

Valuation Date (Most Recent Data Available) June 30:	Actuarial Value of Plan Assets	Actual Accrued Liability	Unfunded Accrued Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$ 1,111,115	$ 1,280,206	$ 169,091	86.80%	$173,735	97.33%
2007	1,013,543	1,141,736	128,193	88.80%	159,177	80.50%
2006	908,767	1,090,344	181,578	83.00%	149,527	121.40%

Schedule of Funding Progress Other Post Employment Benefits Healthcare Plan (in thousands)

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/05	$ --	$310,945	$310,945	0%	$129,763	239.6%

Notes to Required Supplementary Information –
Other Post Employment Benefits (OPEB) Plan

1) This information is intended to help users assess the County's OPEB Plan's statutes on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

2) Multi-year trend information is not available as this is the first valuation under GASB 45. In the future, information from the three most recent valuations will be presented.

COUNTY OF MARIN

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balances, July 1	$ 159,119,857	$ 159,119,857	$ 159,119,857	$ --
Resources (inflows):				
Taxes	150,799,147	162,534,849	162,154,384	(380,465)
Licenses and permits	5,437,041	5,719,692	4,781,952	(937,740)
Intergovernmental revenues	138,646,073	155,528,817	147,990,527	(7,538,290)
Charges for services	40,992,204	48,129,025	41,670,573	(6,458,452)
Fines and forfeits	4,197,475	6,579,800	8,517,081	1,937,281
From use of money and property	6,116,579	5,388,270	6,444,286	1,056,016
Miscellaneous	5,935,199	2,553,679	2,485,828	(67,851)
Other financing sources	--	3,769,163	5,902,704	2,133,541
Amounts available for appropriation	352,123,718	390,203,295	379,947,335	(10,255,960)
Charges to appropriations (outflows):				
Current:				
General government	82,855,866	75,613,321	57,775,444	17,837,877
Public protection	128,459,551	139,438,970	129,637,368	9,801,602
Public ways and facilities	2,588,434	11,109,820	13,083,995	(1,974,175)
Health and sanitation	86,108,136	93,396,929	86,159,133	7,237,796
Public assistance	58,229,894	59,604,464	55,796,259	3,808,205
Education	892,014	991,062	871,430	119,632
Culture and recreation	8,268,235	8,660,316	8,055,935	604,381
Capital outlay	--	--	2,696,936	(2,696,936)
Debt Service				
Principal	--	--	42,249	(42,249)
Interest	--	--	29,856	(29,856)
Other financing uses	--	8,477,252	13,413,830	(4,936,578)
Total charges to appropriations	367,402,130	397,292,134	367,562,435	29,729,699
Budgetary fund balances, June 30	$ 143,841,445	$ 152,031,018	$ 171,504,757	$ 19,473,739

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement	$ 379,947,335
Differences - budget to GAAP:	
Transfers from other funds and issuance of new debt are inflows of budgetary resources but are not revenues for financial reporting purposes.	(5,902,704)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 374,044,631
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	$ 367,562,435
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(13,413,830)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 354,148,605

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

COUNTY OF MARIN

Budgetary Comparison Schedule
Flood Control and Water Conservation Districts
For the Year Ended June 30, 2009

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balances, July 1	$ 13,865,639	$ 13,865,639	$ 13,865,639	$ --
Resources (inflows):				
Taxes	6,576,851	4,047,468	4,592,893	545,425
Intergovernmental revenues	48,272	48,272	68,042	19,770
Charges for services	--	2,529,383	2,700,273	170,890
From use of money and property	334,681	334,681	304,221	(30,460)
Miscellaneous	4,941	2,691	10,307	7,616
Other financing sources	-	766,643	--	(766,643)
Amounts available for appropriation	6,964,745	7,729,138	7,675,736	(53,402)
Charges to appropriations (outflows):				
Current:				
Public protection	6,003,624	9,827,722	7,316,229	2,511,493
Public ways and facilities	--	--	134,366	(134,366)
Capital outlay	--	--	12,534	(12,534)
Debt Service				
Interest	--	--	25,013	(25,013)
Total charges to appropriations	6,003,624	9,827,722	7,488,142	2,339,580
Budgetary fund balances, June 30	$ 14,826,760	$ 11,767,055	$ 14,053,233	$ 2,286,178

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

BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year on or before August 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the County Administrator, pursuant to authority granted by the Board of Supervisors. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Pursuant to Board Resolution, the County Administrator is authorized to approve transfers and revision of appropriations within a single budget unit as deemed necessary and appropriate. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and is amended during the fiscal year by resolutions approved by the Board of Supervisors.

The County uses an encumbrances system as an extension of normal budgetary accounting for the general, special revenue, and other debt service funds and to assist in controlling expenditures of the capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The budget approved by the Board of Supervisors for the general fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other Governmental Funds. Actual reimbursements for these items have been eliminated in the accompanying budgetary financial schedules. Accordingly, the related budgets for these items have also been eliminated in order to provide a meaningful comparison of actual and budgeted results of operations.

The amounts reported in the budgetary basis equal the amounts in basic financial statements in accordance with generally accepted accounting principles (GAAP). Annual budgets are prepared on the modified accrual basis of accounting. Variances between final budget and actual amounts in the budgetary comparison schedules result mainly from revenues and expenditures in trust funds that are not budgeted, but are reflected in actual amounts. Further, the budget-to-actual comparison schedule incorporates revenue reporting by sources, and expenditure reporting by functions. In the past, the actual expenditure data for capital projects & outlays (capital spending) are aggregately classified under the *Public Ways and Facilities* reporting function. Aided by improved accounting software and tracking mechanism, these capital spending can now be further studied and classified into various reporting functions so that financial statement users are able to see a better integration between budget and actual data for comparison and analysis purpose.

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APPENDIX C

COUNTY STATEMENT OF INVESTMENT POLICY

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COUNTY OF MARIN

STATEMENT OF INVESTMENT POLICY

FY 2009-2010

Office of
Michael J. Smith
Marin County Treasurer

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COUNTY OF MARIN

STATEMENT OF INVESTMENT POLICY

Under the authority delegated to the County Treasurer by the Board of Supervisors and in accordance with the California Government Code, the following sets forth the investment policy of the County of Marin:

I. *OBJECTIVES*:

All funds on deposit with the County Treasurer shall be invested in accordance with the California Government Code Sections 53600 et sec. and Sections 53639 et sec. to ensure:

(a) **Preservation of capital** through high quality investments and by continually evaluating the credit of financial institutions approved for investment transactions, and securities considered and held in safekeeping;

(b) Maintenance of sufficient **liquidity** to enable the participants and other depositors to meet their operating requirements;
and

(c) A **rate of return** consistent with the above objectives.

2. *PARTICIPANTS*

Participants in the Marin County Pool are defined as Marin County, Marin Public School Agencies, Marin Community College, Marin County Office of Education, districts under the control of the County Board of Supervisors, autonomous/independent districts whose treasurer is the Marin County Treasurer, and any other district or agency approved by the Board of Supervisors and the County Treasurer using the County of Marin as their fiscal agent.

3. *AUTHORIZED PERSONS*

Authorized persons for investment purposes include the Treasurer, Assistant Treasurer, Investment Officer and treasury accountant. The Treasurer, Assistant Treasurer or Investment Officer shall make all investment decisions. In their absence, the treasury accountant is authorized to make investment decisions for up to ninety (90) days. To minimize the risk of disrupting the day to day business activities, the Assistant Treasurer and Investment Officer shall use separate means of travel to attend training and conferences.

All investment decisions shall be made with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting, as a trustee, in a like capacity and familiarity would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the participants.

4. BIDS & PURCHASE OF SECURITIES

Prior to the purchase of an investment pursuant to this policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. Bids for various investments shall be evaluated considering preservation of capital as the most important factor, liquidity as the second most important factor and lastly, yield. Investments in commercial paper, bankers acceptances and certificates of deposit for each issuer shall be limited to five percent (5%) of Treasury assets, determined using the Treasury balance at the time of purchase, except that investments in overnight commercial paper shall be limited to seven percent (7%) of Treasury assets for any one issuer. The investment selected for purchase shall be that investment which in the opinion of the purchaser most clearly meets these objectives. All security transactions shall be documented at the time the transaction is consummated.

5. TERM

Maturities of investments in the Marin County Treasury Pool shall be selected based upon liquidity requirements. The maximum remaining term to maturity for an investment shall be two (2) years; except that, subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq. of the California Government Code, the Treasurer may authorize investments in U.S. Treasury obligations and/or U.S. Agency obligations with a maximum remaining term to maturity that shall not exceed five (5) years. The weighted average maturity of the investment pool, to be determined at the time of purchase, shall not exceed 540 days to final maturity/call.

Capital Funds, Construction Funds, or money obtained through the sale of agency surplus property, may be invested by the Treasurer in specific investments outside of the Pool provided the Treasurer obtains written approval from the governing board of the County, School District or Special District. No investment shall have a remaining maturity in excess of five (5) years.

Proceeds of Debt Issues set aside for repayment of any County, School District, or Special District financings shall not be invested for a term that exceeds the term set forth in the financing documents.

6. ALLOWED INVESTMENTS

Pursuant to California Government Code Sections 53601 et seq. &, 53635 et seq. the County Treasurer may invest in the following subject to the limitations as set forth:

(a) **United States Treasury obligations.**

(b) **United States Agency obligations.**

(c) **Securities of U.S. Government Agencies & Instrumentalities**

(d) **State of California Bonds and Registered Warrants**.

(e) **Bonds, Notes, Warrants** or other evidence of indebtedness of a **local agency** within the State of California.

(f) **Bankers acceptances** not to exceed one hundred eighty (180) days to maturity or at the time of purchase thirty percent (30%) of the treasury fund balance.

(g) **Commercial paper** of "prime" quality of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation, to be chosen from among corporations organized and operating within the United States with assets in excess of $500,000,000.00 and having an "A" or higher rating for the issuer's debt, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed two hundred seventy (270) days in maturity and may not exceed forty percent (40%) of the treasury fund balance.

(h) **Negotiable certificates of deposit** issued by a nationally or state-chartered bank, a state or federal association or by a state-licensed branch of a foreign bank selected on the basis of financial stability and credit rating criteria employed by the County Treasurer. Negotiable certificates of deposit may not exceed thirty percent (30%) of the treasury fund balance.

i) **Non-negotiable certificates of deposit** (**Time Deposits)** with a nationally or state-chartered bank or a state or federal association selected on the basis of financial stability, credit rating and reputation using criteria employed by the County Treasurer, fully collateralized at one hundred ten percent (110%) of market value with U.S. Government Securities, high-grade Municipal Bonds, instruments of federal agencies, including mortgage backed securities at one hundred fifty percent (150%) of market value with promissory notes secured by first deeds of trust upon improved residential real property as provided by the Government Code.

(j) **Medium-term Notes** rated “A” or better, to be chosen from among corporations with assets in excess of $500,000,000.00 with a maturity not to exceed two years from the date of purchase. Purchase of eligible medium-term notes may not exceed thirty percent (30%) of the treasury fund balance.

(k) **Shares of beneficial interest issued by diversified management companies**, that are money market funds investing in securities and obligations as authorized by this investment policy. To be eligible for investment these companies shall attain the highest ranking or the highest letter and numerical rating provided by no less than two nationally recognized statistical rating organizations and have assets under management in excess of $500,000,000.00. The purchase price may not include any commissions that these companies may charge, and the purchase of shares in any one mutual fund may not exceed ten percent (10%) of the treasury balance and the total invested my not exceed twenty percent (20%) of the treasury balance*.* Shares of beneficial interest issued by diversified management companies may include shares in investment trusts established under provisions of the California Joint Exercise of Powers Act.

(l) **Repurchase agreements** on any investment authorized by this investment policy where the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and the value shall be adjusted daily. The County Treasurer or designee must approve any collateral substitution by the seller, and any new collateral should be reasonably identical to the original collateral in terms of maturity, yield, quality and liquidity.

(m) **California State Local Agency Investment Pool** (**LAIF**) operated by the State Treasurer's office.

(n) **Financial Institution Investment Accounts -** All funds on deposit with the County shall be managed by the County Treasurer, except that the Treasurer may, at his option, at the time of placement, place not more than five percent (5%) of the Treasury assets at the time of investment with a financial institution for the purpose of managing such funds. Securities eligible for purchase by the financial institution are limited to United States Treasury and Agency obligations with a "AAA" credit quality rating, must be held in the County's name in a third party custody account, may not have a remaining maturity in excess of three (3) years, and the account shall have an average maturity of 1.5 years or less. All security transactions shall be supervised and approved by the Investment Officer, Assistant Treasurer or Treasurer.

Where a percentage limitation is specified for a particular category of investments, that percentage is applicable only at the time of purchase.

7. PROHIBITED INVESTMENTS

(a) The County Treasurer **shall not invest** in any **Derivatives** such as inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages or any security bearing a rate of interest which is not known at the time of purchase.

(b) The County Treasurer shall not invest any funds in any security that could result in **zero interest accrual** if held to maturity or where there is a risk of loss of principal when held to maturity.

(c) **Reverse repurchase agreements**, securities lending agreements and all other investments that are not specifically allowed by this investment policy are prohibited.

(d) In accordance with Marin County's Nuclear Freeze Ordinance Measure "A" (Exhibit 1) as approved by the voters on November 4, 1986, the County is prohibited from investing in securities or other obligations of any corporation or business entity which is a **nuclear weapons contractor**.

Furthermore, said corporations or business entities that the County Treasurer does invest in must file an affidavit as required by Measure “A” Section VI. B certifying that neither it, nor its parent company, affiliates or subsidiaries are nuclear weapons contractors. A copy of each affidavit received shall be sent to the Peace Commission.

8. BROKERS

Broker/dealers shall be selected by the Treasurer upon recommendation by the Investment Officer or Assistant Treasurer. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution and the reputation and expertise of the individuals employed. The Treasurer shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48 consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the Board of Supervisors, any member of the governing board of a local agency having funds held in the County Treasury, or any candidate for those offices. The broker/dealers shall be provided with and acknowledge receipt of the County Investment Policy.

9. WITHDRAWALS

No withdrawals from the Marin County Pool shall be made for the purpose of investing and or depositing those funds outside the pool without the prior approval of the Marin County Treasurer. The Treasurer shall evaluate each proposed withdrawal to assess the effect the withdrawal will have upon the stability and predictability of the investments in the County Treasury. Approval shall be given unless the withdrawal will adversely affect the interests of the other depositors. Requests for withdrawals for the purpose of investing or depositing funds outside the pool shall be made in writing at least ten (10) business days in advance of the proposed withdrawal date. Notice in writing of at least five (5) business days shall be required for withdrawals in excess of $250,000.00 for loan repayments, capital expenditures and any expenditure not in the ordinary course of operations.

10. SWAPS

Securities can be swapped for other approved securities with similar maturity schedules to gain higher rates of return. When a swap involves a change in liquidity, future cash needs shall be conservatively estimated.

11. LOSSES

Losses are acceptable on a sale before maturity, and may be taken if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

12. DELIVERY & SAFEKEEPING

Delivery of all securities shall be through a third party custodian. Non-negotiable certificates of deposit may be held in the Treasurer's safe. The County's safekeeping agent shall hold all other securities. No security shall be held in safekeeping by the broker/dealer from whom it was purchased. Settlement payment in a securities transaction will be against delivery only, and a Due Bill or other substitution will not be acceptable. Persons authorized under section three (3) who did not originate the investment transaction shall review all confirmations for conformity with the original transaction. Confirmations resulting from securities purchased under a repurchase agreement shall state the exact and complete nomenclature of the underlying securities purchased.

13. APPORTIONMENT OF INTEREST & COSTS

Interest shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. The amount of interest apportioned shall be determined using the cash method of accounting whereby interest will be apportioned for the quarter in which it was actually received. The Treasurer shall deduct from the gross interest received those actual administrative costs relating to the management of the treasury including salaries and other compensation, banking costs, equipment purchased, supplies, costs of information services, audits and any other costs as provided by Section 27013 of the Government Code.

14. CONFLICT OF INTEREST

A member of the county treasury oversight committee, the County Treasurer, Assistant Treasurer or County employee working in the Treasurer's office shall not accept honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other person with whom the county treasury conducts business, that are in violation of *state* law.

15. AUDITS

The County Department of Finance shall audit the County Treasurer's office investment function for compliance with policy and state law. The results of this audit shall be reported annually to the Treasurer and the Marin County Treasury Oversight Committee. The County Department of Finance may issue interim reports as needed. The Treasurer's authorized person as contained in Section Three (3) shall audit the investment safekeeping statements.

16. REVIEW

The County Treasurer and the Assistant Treasurer will perform a monthly review of the investment function.

17. REPORTS

The Treasurer shall prepare a monthly report listing all investments in the County Pool as of the last day of the month and a report of the average days to maturity and yield of investments in the County Pool. The Treasurer shall also prepare a monthly report for all non-pooled investments. These reports shall be distributed to the Marin County Board of Supervisors, Superintendent of Schools, Marin Public School Agencies, Special Districts, non-pooled investors, the County's investment oversight committee, and any other participant upon request. The Treasurer will provide the County Department of Finance with a report of each investment at the time each transaction is completed.

18. INVESTMENT POLICY

The County Treasurer shall prepare and submit an annual statement of investment policy to the Board of Supervisors.

19. TREASURY OVERSIGHT COMMITTEE

Consistent with State law the County has established a Treasury Oversight Committee. The Committee includes representatives from the County of Marin, Superintendent of Schools' Office, School Districts and Special Districts. The Committee shall review and monitor the Investment Policy as contained in California Government Code Sections 27130 – 27137.

20. DISASTER /BUSINESS CONTINUITY PLAN

The county treasurer's banking and investment functions are mission critical and as such, the office must have a business continuity plan.

The goal of a disaster/business recovery plan is to protect and account for all funds on deposit with the county treasury and to be able to continue our banking and investment functions for all participants in the event of an occurrence (Earthquake, Fire, Pandemic or other event) which disrupt normal operations. Our plan provides for the ability to perform our banking and investment function at an off-site location under less than optimal conditions and, if needed, even outside our county.

In the event of an occurrence which precludes staff from being able to operate from our office, the attached plan (exhibit 2) will be activated. The plan includes:

- Scope
- Chain of Command
- Continuity Procedure
- Functions and Tasks to be performed
- Equipment and Emergency Packets
- Disaster Assignment
- Off-site locations

Normal processes may be modified in response to an occurrence. However, the county treasurer's investment policy shall be strictly followed.

Dated: July 1, 2009 Michael J. Smith
Marin County Treasurer

Reviewed and monitored by Marin Treasury Oversight Committee on November 5, 2009

Approved by Marin County Board of Supervisors on December 1, 2009

Attachments: Exhibit 1 Marin County Nuclear Freeze Ordinance
Exhibit 2 Disaster/Business Continuity Plan

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Supervisors of the
County of Marin
3501 Civic Center Drive
San Rafael California 94903

OPINION: $63,800,000* Certificates of Participation (2010 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the County of Marin, as the Rental for Certain Property Pursuant to a Lease Agreement with the Marin County Capital Improvements Financing Authority

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Members of the Board of Supervisors:

We have acted as special counsel in connection with the delivery by the County of Marin (the "County"), of its $63,800,000* Lease Agreement, dated as of October 1, 2010, by and between the Marin County Capital Improvements Financing Authority (the "Authority") and the County (the "Lease Agreement"), pursuant to the California Government Code. The Authority has, pursuant to the Assignment Agreement, dated as of October 1, 2010 (the "Assignment Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the County thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of October 1, 2010, by and among the Trustee, the Authority and the County (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the County contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The County is duly created and validly existing as a political subdivision organized and existing under the laws of the State of California with the power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement has been duly authorized, executed and delivered by the County and is an obligation of the County valid, binding and enforceable against the County in accordance with its terms.

3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

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* Preliminary, subject to change.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the County are payable from general funds of the County lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the County's compliance with certain covenants, interest with respect to the Certificates (i) is excludable from gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates. Ownership of the Certificates may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

6. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the County and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the County and from the Trustee.

DEFINITIONS

"*Additional Payments*" means the payments so designated and required to be paid by the County pursuant to the Lease Agreement.

"*Assignment Agreement*" means the Assignment Agreement, dated as of October 1, 2010, by and between the Authority and the Trustee, together with any duly authorized and executed amendments thereto.

"*Authority*" means the Marin County Capital Improvements Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State.

"*Authority Representative*" means the President, the Vice President, the Executive Director, the Treasurer and the Secretary of the Authority, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Authority under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

"*Board*" means the Board of Supervisors of the County.

"*Bond Counsel*" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the County of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"*Business Day*" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

"*Certificate of Completion*" means the certificate of a County Representative certifying that the construction of the 2010 Projects has been completed by the County and that all costs relating thereto have been paid.

"*Certificates*" means the certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

"*Closing Date*" means the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

"*Completion Date*" means the date of completion of the 2010 Projects as evidenced by the filing with the Trustee of a Certificate of Completion.

"*Continuing Disclosure Certificate*" shall mean that certain Continuing Disclosure Certificate executed by the County and dated the date of execution and delivery of the Certificates, as it may be amended from time to time in accordance with the terms thereof.

"*County*" means County of Marin, a public body, duly organized and existing under and by virtue of the laws of the State.

"*County Representative*" means the Chair of the Board, County Administrator, the County Treasurer-Tax Collector, the County Director of Finance, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the County under or with respect to the Site and Facility Lease, the Lease Agreement and the Trust Agreement.

"*Defeasance Obligations*" means (a) cash, (b) direct non-callable obligations of the United States of America, (c) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, (d) Refcorp interest strips, (e) CATS, TIGRS, STRPS, and (f) defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing),

"*Delivery Costs*" means all items of expense directly or indirectly payable by or reimbursable to the County or the Authority relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

"*Delivery Costs Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Escrow Agreement*" means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the County and the Escrow Bank, as originally entered into or as it may be amended or supplemented pursuant to the provisions thereof, created to provide for the refunding of the 1998 Certificates.

"*Escrow Bank*" means U.S. Bank National Association, as escrow bank under the Escrow Agreement, or any successor thereto appointed as escrow bank thereunder in accordance with the provisions thereof.

"*Escrow Fund*" means the fund by that name created and maintained by the Escrow Bank pursuant to the Escrow Agreement.

"*Event of Default*" means an event of default under the Lease Agreement.

"*Facility*" means those certain existing facilities more particularly described in the Site and Facility Lease and in the Lease Agreement.

"*Federal Securities*" means (a) Cash (insured at all times by the Federal Deposit Insurance Corporation), and (b) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) Farmers Home Administration, (iv) General Services Administration, (v) Guaranteed Title XI financing, (vi) Government National Mortgage Association (GNMA), and (vi) State and Local Government Series.

"*Fiscal Year*" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the County as its fiscal year.

"*Independent Counsel*" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Authority, the County or the Trustee.

"*Information Services*" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at http://emma.msrb.org) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

"*Insurance and Condemnation Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Interest Payment Date*" means the first (1st) day of February and August in each year, commencing February 1, 2011, so long as any Certificates are Outstanding.

"*Lease Agreement*" means that certain agreement for the lease of the Property by the Authority to the County, dated as of October 1, 2010, together with any duly authorized and executed amendments thereto.

"*Lease Payment Date*" means the fifteenth (15th) day of January and October in each year during the Term of the Lease Agreement, commencing January 15, 2011.

"*Lease Payment Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Lease Payments*" means the total payments required to be paid by the County pursuant to the Lease Agreement, including any prepayment thereof pursuant to the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in the Lease Agreement.

"*Moody's*" means Moody's Investors Service, New York, New York, or its successors.

"*Net Proceeds*," when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"*1998 Certificates*" means, collectively, the County's outstanding Certificates of Participation (1998 Capital Improvement Projects), Series A, and Certificates of Participation (1998 Capital Improvement Projects), Series B.

"*Original Purchaser*" means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

"*Outstanding*," when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"*Owner*" or "*Certificate Owner*" or "*Owner of a Certificate*," or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered on the Registration Books.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"*Permitted Encumbrances*" means, as of any particular time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) the Assignment Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the County certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Authority and the County agree in writing do not reduce the value of the Property.

"*Permitted Investments*" means any of the following:

(a) Federal Securities;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank, (ii) Rural Economic Community Development Administration, (iii) U.S. Maritime Administration, (iv) Small Business Administration, (v) U.S. Department of Housing & Urban Development (PHAs), (vi) Federal Housing Administration, and (vii) Federal Financing Bank;

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), (ii) obligations of the Resolution Funding Corporation (REFCORP), and (iii) senior debt obligations of the Federal Home Loan Bank System;

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, which may include the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliate or subsidiary of the Trustee, provide investment advisory or other management services;

(g) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or (B) (i) which are fully secured as to principal, interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal, interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal, interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and S&P;

(i) the Local Agency Investment Fund maintained by the State of California; and

(j) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

"*Principal Corporate Trust Office*" means the corporate trust office of the Trustee located at One California Street, Suite 1000, San Francisco, CA 94111, Attention: Corporate Trust Services, or such other office designated by the Trustee from time to time.

"*Proceeds*," when used with reference to the Certificates, means the face amount of the Certificates, less original issue discount.

"*Project Costs*" means all costs of payment of, or reimbursement for, the 2010 Projects.

"*Project Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Property*" means, collectively, the Site and the Facility.

"*Rating Category*" means, with respect to any Permitted Investment, one of the generic categories of rating by Moody's or S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"*Registration Books*" means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"*Regular Record Date*" means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

"*Rental Period*" means each twelve-month period during the Term of the Lease Agreement commencing on June 2 in any year and ending on June 1 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on June 1, 2011.

"*Reserve Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Reserve Requirement*" means an amount equal to the least of maximum annual Lease Payments, 125% of average annual Lease Payments, and 10% of the principal amount of the Certificates, which amount shall initially be $__________ on the Closing Date. On August 2, 2023, the Reserve Requirement shall be reduced to the then maximum annual Lease Payments. The amount of the Reserve Requirement shall not otherwise be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to the maximum annual Lease Payments relating to the Certificates not so refunded, as specified in a certificate of a County Representative delivered to the Trustee.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or its successors.

"*Securities Depositories*" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

"*Site*" means that certain real property more particularly described in the Site and Facility Lease and in the Lease Agreement.

"*Site and Facility Lease*" means the Site and Facility Lease, dated as of October 1, 2010, by and between the County, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto.

"*State*" means the State of California.

"*Term of the Lease Agreement*" means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

"*Trust Agreement*" means the Trust Agreement, dated as of October 1, 2010, by and among the County, the Authority and the Trustee, together with any duly authorized amendments thereto.

"*Trustee*" means U.S. Bank National Association, or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

"*2010 Projects*" includes, but is not limited to, the capital improvements to be financed by the County with the proceeds of the Certificates, all as more particularly described in the Trust Agreement.

SITE AND FACILITY LEASE

The Site and Facility Lease is entered into between the County and the Authority. The County agrees to lease the Site and the Facility to the Authority for a term continuous with the term of the Lease Agreement. The County and the Authority agree that the lease to the Authority of the County's right, title and interest in the Site and the Facility pursuant to the Site and Facility Lease serves the public purposes of the County by enabling the Authority to lease the Site and Facility back to the County.

LEASE AGREEMENT

Deposit of Money

On the Closing Date, the Authority shall cause to be deposited with the Trustee the proceeds of sale of the Certificates. Amounts estimated to be required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, an amount equal to the Reserve Requirement shall be deposited in the Reserve Fund, the amount required to refund the 1998 Certificates shall be transferred to the Escrow Bank for deposit in the Escrow Fund and the remaining balance of said amount shall be deposited in the Project Fund.

Payment of Delivery Costs

Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Lease

The Authority leases the Property to the County, and the County leases the Property from the Authority, upon the terms and conditions set forth in the Lease Agreement. The leasing of the Property by the County to the Authority pursuant to the Site and Facility Lease shall not affect or result in a merger of the County's leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Term of Agreement; Possession

The Term of the Lease Agreement shall commence on the Closing Date, and shall end on August 1, 2040, unless such term is extended. If, on August 1, 2040, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to the Lease Agreement until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond August 1, 2050. If, prior to August 1, 2040, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Authority of the termination of the Lease Agreement pursuant to the Trust Agreement.

The County agrees to accept and take possession of the Property on or prior to the date of recordation of the Lease Agreement. The first Lease Payment shall be due on July 15, 2010.

Lease Payments

Obligation to Pay. The County agrees to pay to the Authority, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

Effect of Prepayment. In the event that the County prepays all remaining Lease Payments and all additional payments due under the Lease Agreement in full, the County's obligations under the Lease Agreement shall thereupon cease and terminate including, but not limited to, the County's obligation to pay Lease Payments under the Lease Agreement; subject however, to the provisions of the Lease Agreement in the case of prepayment by application of a security deposit. In the event that the County optionally prepays the Lease Payments in part but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the County in integral multiples of $5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed pursuant to the Trust Agreement.

Rate on Overdue Payments. In the event the County should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the County until the amount in default shall have been fully paid and the County agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund or in the Reserve Fund to replenish the Reserve Fund if withdrawals were made therefrom as a result of the default.

Fair Rental Value. The Lease Payments for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the County in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties to the Lease Agreement have agreed and determined that the total Lease Payments represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the County and the general public.

Source of Payments; Budget and Appropriation. Lease Payments shall be payable from any source of available funds of the County. The County covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for additional payments due under the Lease Agreement. To that end, the Board of Supervisors shall direct budgetary staff to include in each annual budget proposal to the Board of Supervisors an appropriation sufficient to pay Lease Payments and Additional Payments. The County expresses its present intent to appropriate Lease Payments and additional payments due under the Lease Agreement during the Term of the Lease Agreement. The covenants on the part of the County contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the County.

Assignment. The County understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the County assents to such assignment. The Authority directs the County, and the County agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the County pursuant to the Lease Agreement.

Additional Payments

In addition to the Lease Payments, the County shall pay when due the following additional payments:

(a) Any fees and expenses incurred by the County in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the County, the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Trust Agreement;

(d) Any reasonable out-of-pocket expenses of the County in connection with the execution and delivery of the Lease Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated or thereby, or incurred by the Authority in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

Title

During the Term of the Lease Agreement, the Authority shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the County at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the County pursuant to the Lease Agreement.

If the County prepays the Lease Payments in full or makes the security deposit permitted by the Lease Agreement, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Authority in and to the Property shall be terminated. The Authority agrees to take any and all steps and execute and record any and all documents reasonably required by the County to consummate any such transfer of title.

Maintenance, Utilities, Taxes and Assessments

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County and the County shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the County or any assignee or sublessee thereof. In exchange for the Lease Payments, the Authority agrees to provide only the Property. The County waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the County under the terms of the Lease Agreement.

The County shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the County affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The County may, at the County's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the County that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the County shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority. The County shall provide the Authority with written notice of any such contest and shall provide such updates on the contest as the Authority may reasonably request.

Modification of Property

The County shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The County will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the County pursuant to the Lease Agreement; provided that if any such lien is established and the County shall first notify the Authority of the County's intention to do so, the County may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the County.

Insurance

Public Liability and Property Damage Insurance. The County shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Authority, the County and the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the County, and may be maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the County. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the County and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the County. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Fire and Extended Coverage Insurance; No Earthquake Insurance. The County shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance; *provided, however*, that the County shall not be required to maintain earthquake insurance with respect to the Property. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the County and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. The County may not satisfy the requirements of the Lease Agreement for fire and extended coverage insurance with self-insurance.

Rental Interruption Insurance. The County shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the County and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The County may not satisfy the requirements of the Lease Agreement for rental interruption insurance with self-insurance.

Title Insurance. The County shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the County's leasehold estate in the Property, subject only to Permitted Encumbrances.

Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease Agreement, shall name the Trustee as an additional insured and shall be applied as provided in the Lease Agreement. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company. The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease Agreement, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The County shall cause to be delivered annually on or before each September 1 to the Trustee a certification, signed by a County Representative, stating compliance with the provisions of the Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The County shall have the adequacy of any insurance reserves maintained by the County or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each September 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Tax Covenants

Private Activity Bond Limitation. The County shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The County shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The County shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

No Arbitrage. The County shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The County shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

No Condemnation

The County covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the County will not exercise the power of condemnation with respect to the Property. The County further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the County should fall or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

Eminent Domain

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

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the County to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in the Trust Agreement.

From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be paid by the County to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

From Title Insurance. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

Abatement of Lease Payments in the Event of Damage or Destruction

Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the County of the Property or any portion thereof to the extent to be agreed upon by the County and the Authority and communicated by a County Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties, or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a County Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the County waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund, if cash funded, and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Access to the Property

The County agrees that the Authority and any Authority Representative, and the Authority's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The County further agrees that the Authority, any Authority Representative, and the Authority's successors or assigns, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the County to perform its obligations under the Lease Agreement.

Release and Indemnification Covenants

The County shall and agrees to indemnify and save the Authority and the Trustee and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the County, (ii) any breach or default on the part of the County in the performance of any of its obligations under the Lease Agreement or the

Trust Agreement, (iii) any act or omission of the County or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the County with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under the Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made in the Lease Agreement for willful misconduct, negligence or breach of duty under the Lease Agreement by the Authority, its officers, agents, directors, employees, successors or assigns.

Assignment by the Authority

The Authority's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the County under the Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Assignment and Subleasing by the County

The Lease Agreement may not be assigned by the County. The County may sublease the Property or any portion thereof, but only with the written consent of the Authority and subject to, and delivery to the Authority of a certificate as to, all of the following conditions:

(a) The Lease Agreement and the obligation of the County to make Lease Payments shall remain obligations of the County;

(b) The County shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the County shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

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

Amendment of Lease Agreement

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

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

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

(vi) The County delivers to the Authority and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

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

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

(ix) The County shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the County as was the Former Site and/or the Former Facility;

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

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

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

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

(ii) The County delivers to the Authority and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Site, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Authority that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

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

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

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

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

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

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

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

Events of Default and Remedies

Events of Default. The following shall be "events of default" under the Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Failure by the County to pay any Lease Payment or other payment required to be paid at the time specified.

(b) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Authority, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Authority, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Remedies on Default. The Trustee shall have the right to re-enter and re-let the Property and to terminate the Lease Agreement.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the County is expressly made a condition and upon the breach thereof, the Authority may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Authority, the County shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained and, in any event such rent and/or damages shall be payable to the Authority at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Authority does not elect to terminate the Lease Agreement in the manner provided for below, the County agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Property, or, in the event the Authority is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Authority. The County irrevocably appoints the Authority as the agent and attorney-in-fact of the County to enter upon and re-lease the Property in the event of default by the County in the performance of any covenants contained in the Lease Agreement to be performed by the County and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Riverside County, for the account of and at the expense of the County, and the County exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The County waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the County that may be in or upon the Property. The County agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate the Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner provided for in paragraph (b) below.

(b) In an Event of Default, the Authority at its option may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Authority at its option and in the manner provided in the Lease Agreement on account of default by the County (and notwithstanding any re-entry upon the Property by the Authority in any manner whatsoever or the re-leasing of the Property), the County nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Authority from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the County shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate the Lease Agreement. The County covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

No Remedy Exclusive. No remedy is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the Lease Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

Security Deposit

Notwithstanding any other provision of the Lease Agreement, the County may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a County Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such County Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid County Representative's certificate.

In the event of a deposit pursuant as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the County under the Lease Agreement shall cease and terminate, excepting only the obligation of the County to make, or cause to be made, all payments from the deposit made by the County and the obligations of the County pursuant to the Lease Agreement and title to the Property shall vest in the County on the date of said deposit automatically and without further action by the County or the Authority. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the County for the Property. Upon said deposit, the Authority will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions of the Lease Agreement. In addition, the Authority appoints the County as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the County.

Prepayment

Optional Prepayment. The Authority grants an option to the County to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised with respect to Lease Payments due on and after July 15, 2020, in whole or in part on any date, commencing January 15, 2020. Said option shall be exercised by the County by giving written notice to the Authority and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the County. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Authority in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain. The County shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose. The County and the Authority agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the County's obligations under the Lease Agreement. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Authority and the Trustee, pursuant to which the Authority assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Authority under the Lease Agreement, including the right to receive Lease Payments under the Lease Agreement and the rights and remedies of the Authority under the Lease Agreement to enforce payment of Lease Payments or otherwise to protect and enforce the Lease Agreement in the event of default by the County. Certain rights of the Authority to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

TRUST AGREEMENT

Project Fund; Payment of Project Costs

There shall be deposited in the Project Fund from the proceeds of the Certificates the amount required to be deposited therein pursuant to the Trust Agreement, together with any other amounts from time to time deposited with the Trustee for such purpose as may be identified in writing to the Trustee.

Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a County Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Project Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

The Trustee is directed that all unexpended moneys remaining in the Project Fund and not identified in writing by a County Representative to be required for payment of Project Costs or other capital improvements shall, on the Completion Date and following receipt by the Trustee of a Certificate of Completion, be transferred to the Lease Payment Fund and applied to pay the Lease Payments as the same become due and payable and the Project Fund shall be closed.

Delivery Costs Fund; Payment of Delivery Costs

There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee on receipt of a sequentially numbered requisition, signed by a County Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon written notice from a County Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Lease Payment Fund and applied for the purposes of such fund, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the County.

Assignment of Rights in Lease Agreement

The Authority has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Authority's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments and such other amounts to which the Authority may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Authority shall be deemed to be held and to have been collected or received by the Authority as the agent of the Trustee, and if received by the Authority at any time shall be deposited by the Authority with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

Lease Payment Fund

All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the County nor the Authority shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the County.

Reserve Fund

All moneys at any time on deposit in the Reserve Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates, and applied solely as provided in the Trust Agreement.

There shall be deposited in the Reserve Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Lease Payments.

The Trustee shall, on or before each March 1 and September 1, value investments in the Reserve Fund at market value and transfer any moneys in the Reserve Fund then in excess of the Reserve Requirement; *provided, however* that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a County Representative.

If, on any Interest Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due the Trustee under the Trust Agreement, or upon provision for such payment as provided in the Trust Agreement, shall be withdrawn by the Trustee and paid to the County.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the County in the event of any such damage or destruction shall be paid to the Trustee by the County pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the County shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the County, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the County's determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates as provided in the Trust Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a County Representative and an Authority Representative.

(d) In the event the County's determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the County, and disbursed by the Trustee upon receipt of requisitions signed by a County Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the County.

Application of Net Proceeds of Eminent Domain Award

If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the County has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the County to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the County shall so certify to the Trustee and the Trustee, at the County's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

(b) If the County has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the County to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the County shall so certify to the Trustee and the Trustee, at the County's written request, shall pay to the County, or to its order, from said proceeds such amounts as the County may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the County Representative in the form and containing the provisions set forth in the Trust Agreement. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the County has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the County to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Application of Net Proceeds of Title Insurance Award

The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Moneys in Funds; Investment

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the Authority, the Trustee, the County or any Owner of Certificates.

Investments Authorized. Moneys held by the Trustee under the Trust Agreement shall, upon written order of a County Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a County Representative as Permitted Investments without independent investigation thereof. If a County Representative shall fail to so direct investments, the Trustee shall invest the affected moneys in Permitted Investments described in paragraph (g) of the definition thereof. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Allocation of Earnings. Unless and until otherwise directed by the County to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund pursuant to the Trust Agreement shall be applied as a credit against the Lease Payment due by the County pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest received by the Trustee on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve Fund are less than the Reserve Requirement. Reserve Fund investments may not have maturities extending beyond five years. In the event that amounts then on deposit in the Reserve Fund on the valuation date described in the Trust Agreement equal or exceed the Reserve Requirement, such excess shall be transferred to the Lease Payment Fund. Transfers to the Lease Payment Fund from the Reserve Fund shall be made by the Trustee on or prior to each January 1 and July 1. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed pursuant to the Trust Agreement.

Such investments shall be valued by the Trustee not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Investments purchased with funds on deposit in the Reserve Fund shall have a term to maturity of not greater than five years.

Amendments

The Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Authority or the County, (2) to cure, correct or supplement any ambiguous or defective provision contained therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto, as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

Certain Covenants

Compliance With and Enforcement of Lease Agreement. The County covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Authority covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The County will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Authority thereunder. The Authority and the County, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the County or the Authority, will deliver the same, or a copy thereof, to the Trustee.

Observance of Laws and Regulations. The County and the Authority will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the County or the Authority, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Budgets. The County shall supply to the Trustee as soon as practicable, but not later than September 15 in each year, a written determination by a County Representative that the County has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the County to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

Continuing Disclosure. The County covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Limitation of Liability

Limited Liability of County. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the County contained in the Lease Agreement and the Trust Agreement, the County shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

No Liability of County or Authority for Trustee Performance. Neither the County nor the Authority shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Indemnification of Trustee. The County shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Authority or the County; (ii) any breach or default on the part of the Authority or the County the performance of any of their respective obligations under the Lease Agreement, the Assignment Agreement, the Trust Agreement and any other agreement made and entered into for purposes of the Property; (iii) any act of the Authority or the County or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property; (iv) any act of any assignee of, or purchaser from the Authority or the County or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property; (v) the authorization of payment of Delivery Costs; (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Authority or the County including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property; (vii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement or as assigned to it under the Assignment Agreement; (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the County; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under the Trust Agreement. No indemnification will be made under the Trust Agreement for willful misconduct or negligence under the Trust Agreement by the Trustee, its officers, affiliates or employees. The County's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Assignment of Rights; Remedies. Pursuant to the Assignment Agreement, the Authority has transferred, assigned and set over to the Trustee certain of the Authority's rights in and to the Lease Agreement, including without limitation all of the Authority's rights to exercise such rights and remedies conferred on the Authority pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Authority's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee shall, upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

APPENDIX F

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix E, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the County or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the COUNTY OF MARIN (the "County") in connection with the execution and delivery of $63,800,000* County of Marin, California, Certificates of Participation (2010 Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2010, by and among U.S. Bank National Association, as trustee (the "Trustee"), the County and the Marin County Capital Improvements Financing Authority (the "Trust Agreement"). The County covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Beneficial Owners and bondholders in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"*Dissemination Agent*" shall mean U.S. Bank National Association or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation. In the absence of such a designation, the County shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository system located at www.emma.msrb.org for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"*Participating Underwriter*" shall mean the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Repository*" shall mean each National Repository and each State Repository, if any.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" shall mean the State of California.

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* Preliminary, subject to change.

"*State Repository*" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report to MSRB*. The County shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the County's fiscal year (which currently ends on June 30), commencing with the report for the 2009-2010 Fiscal Year, which is due not later than April 1, 2011, provide to the Participating Underwriter and to file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the County.

(d) *Report of Non-Compliance*. If the County is unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in substantially the form attached as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Controller of the State. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited final statements of the County, the Annual Report shall also include an update of the following information for the then current fiscal year:

- (i) General Fund Budget;
- (ii) General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance;
- (iii) Historical Taxable Sales and Sales Tax Receipts;
- (iv) Assessed Valuation;
- (v) Secured Tax Levies and Delinquencies;
- (vi) Ten Largest Taxpayers;
- (vii) General Fund Long-Term Obligations Outstanding;
- (viii) Employer Contribution Rates to Retirement System, UAAL and Funded Ratios –Safety Plan; and
- (ix) Employer Contribution Rates to Retirement System, UAAL and Funded Ratios – Miscellaneous Plan.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the County shall provide such further information, if any, as may be necessary to make the specifically required statements or information (as set forth herein), in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) *Listed Events*. Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders;
(viii) Bond calls;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities; and
(xi) Rating changes.

(b) *Determination of Materiality of Listed Events*. Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) *Notice to Dissemination Agent*. If the County has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly notify the Dissemination Agent (if other than the County) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d).

(d) *Notice of Listed Events*. The County shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) (defeasances) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Certificate holders of affected Certificates.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The initial Dissemination Agent shall be U.S. Bank National Association. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the County, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the County from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the County, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the County or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the County that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or the type of business conducted;

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Certificate holders in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate holders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the County shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Certificate holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article IX of the Trust Agreement insofar as the relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to the Disclosure Certificate or arising out of or in the exercise of 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 negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the County, the owner of a Certificate, or any other party. The Dissemination Agent shall have no liability to any party for any monetary damages or other financial liability of any kind whatsoever related to or arising from any breach of this Disclosure Certificate. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Certificate. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written direction from the County or an opinion of Bond Counsel. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent or the Trustee and payment of the Certificates.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Fees and Expenses.

(a) The Dissemination Agent shall be entitled to payment and reimbursement from the County for its services and all advances, counsel fees and other expenses reasonably made and incurred by the Dissemination Agent.

(b) The Dissemination Agent may rely on and shall be protected in acting and refraining from acting upon any direction from the County or an opinion of nationally recognized bond counsel.

Date: [Closing Date]

COUNTY OF MARIN

By ____________________________________

County Administrator

ACKNOWLEDGED:

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By ____________________________________

Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Marin

Name of Issue: Certificates of Participation (2010 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the County of Marin, as the Rental for Certain Property Pursuant to a Lease Agreement with the Marin County Capital Improvements Financing Authority

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate dated [Closing Date], furnished by the County in connection with the Issue. The County anticipates that the Annual Report will be filed by ________________.

Date: ________________

U.S. BANK NATIONAL ASSOCIATION,
Dissemination Agent

By ____
Authorized Officer