

**COUNTY OF MARIN**

**AUDIT REPORT**

**JUNE 30, 2008**

**COUNTY OF MARIN  
AUDIT REPORT  
For the Year Ended June 30, 2008**

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## 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, 2008, 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, 2008:

Opinion Unit	Assets	Revenues/ Additions
Governmental Activities	.15%	.36%
Business-Type Activities	66.62%	53.27%
Aggregate Remaining Fund Information	.19%	.14%

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. 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

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

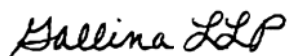
presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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, 2008, 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 January 8, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (as required by U.S. Office of Management and Budget Circular A-133), *Audits of States, Local Governments, and Non-Profit Organizations*) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Roseville, California  
January 8, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# COUNTY OF MARIN

## Management's Discussion and Analysis For the Year Ended June 30, 2008

In this section of the County of Marin (County) annual financial report, County management discusses financial results for the fiscal year ended June 30, 2008, and certain financial events subsequent to that date. It should be read in conjunction with the County's financial statements following this section.

### **I. FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded its liabilities at the close of fiscal year 2007-08 by \$1,597,304,240. Of this amount, \$132,712,257 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets decreased by \$22,938,362. Additional information on the changes in net assets can be found at page 4 and 7.
- As of June 30, 2008 the County's governmental funds reported ending fund balances of \$294,648,088 reflecting a slight increase of \$500,490, or 0.17%.
- In compliance with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions* (OPEB), County will begin to recognize its funding progress on postemployment healthcare plan on both its financial statements and related footnote effective this fiscal year. As of the end of fiscal year 2007-08, County has a net outstanding OPEB obligation of \$31,377,000.
- At the end of fiscal year 2007-08, unreserved/undesignated fund balance of the General Fund is \$28,861,795.

### **II. OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis in this section are intended to serve as an introduction to the County's basic financial statements.

- 1) Management Discussion and Analysis which provides the financial highlights;
- 2) The County's basic financial statements, which consist of the Government-Wide financial statements; the Fund financial statements and the Notes to the financial statements;
- 3) Required Supplementary Information.

#### **A. Government-Wide Financial Statements**

The government-wide financial statements provide an overview of the County's finances, in a manner similar to a private-sector business that is, using the accrual basis of accounting. They demonstrate accountability of Marin County by showing the extent to which it has met operating objectives efficiently and effectively, using all resources available, and whether it can continue to do so.

## COUNTY OF MARIN

### Management's Discussion and Analysis For the Year Ended June 30, 2008

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 may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

As for the County, the financial position has been steady over the past fiscal years: the unrestricted net assets have increased by \$49,006,133, from 2006-07 prior to the recognition in 2007-08 on the net obligation for employer's postemployment health benefits cost of \$31,377,000. As a result, the total unrestricted net assets for 2007-08 have increased by \$17,629,133.

The *statement of activities* presents information on expenses and revenues to show how the government's net assets changed during the fiscal year. 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. Thus, revenues are reported as soon as earned and expenses are reported as soon as incurred even though the related cash flows may not take place until future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or 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. The business-type activities of the County are the activities of the Housing Authority, County Transit, County Fair, and the County Airport.

Certain component units such as the County community service districts, flood control zones areas, redevelopment agencies and the Golden Gate Tobacco Funding Corporation which are essentially part of County operations and their financial data are blended in with operational funds of the County.

#### **B. Fund Financial Statements**

The fund financial statements provide evidence of accountability by demonstrating compliance with budgetary decisions made in public forum. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes stipulated by laws, regulations or policies. The funds of the County are divided into three categories: governmental, proprietary and fiduciary.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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 may be useful in evaluating a government's near-term financing requirements.

## COUNTY OF MARIN

### Management's Discussion and Analysis For the Year Ended June 30, 2008

The County maintains many individual governmental funds. The financial statements for governmental funds information is presented separately for two major funds: the General Fund, and the Capital Projects Fund. Data from the other governmental funds are aggregated into a third, single column, the Other Governmental Funds.

*Proprietary funds* are of two types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses Enterprise funds to account for its Housing Authority, County Transit, County Fair and County Airport operations. The County also uses an internal service fund to accumulate and allocate costs internally among the County's various functions for its workers compensation insurance. This internal service fund is presented in a single column of the proprietary fund financial statements.

Proprietary funds statements provide the same type of information as the part of government-wide financial statements pertaining to business-type activities, only in more detail.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's programs. In the fiduciary fund financial statement, the County presents in two columns, one for several Agencies Funds and all other outside agencies in one Investment Trust Fund column. The accounting used for fiduciary funds is similar to that used for proprietary funds.

#### **C. Notes to the Financial Statements**

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the information provided in the financial statements.

#### **D. Required Supplementary Information**

In addition to the basic financial statements, this report presents Required Supplementary Information (RSI) that includes budgetary comparison for the General Fund.



# COUNTY OF MARIN

## Management's Discussion and Analysis For the Year Ended June 30, 2008

### III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Below is the comparative analysis of government-wide data for fiscal year 2007-08.

#### Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		% Change
	2008	2007	2008	2007	2008	2007	
<b>Assets:</b>							
Current and other assets	\$ 438,533,344	\$ 437,457,432	\$ 23,878,148	\$ 18,217,846	\$ 462,411,492	\$ 455,675,278	1.48%
Capital assets, net	1,421,672,385	1,410,287,077	32,712,459	31,323,459	1,454,384,844	1,441,610,536	0.89%
Total assets	1,860,205,729	1,847,744,509	56,590,607	49,541,305	1,916,796,336	1,897,285,814	1.03%
<b>Liabilities:</b>							
Current and other liabilities	66,203,282	50,349,002	4,488,919	4,638,335	70,692,201	54,987,337	28.56%
Noncurrent liabilities	243,637,805	217,922,374	5,162,090	4,133,501	248,799,895	222,055,875	12.04%
Total liabilities	309,841,087	268,271,376	9,651,009	8,771,836	319,492,096	277,043,212	15.32%
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	1,339,735,080	1,366,596,633	26,484,886	26,603,775	1,366,219,966	1,393,200,408	-1.94%
Restricted	90,025,545	106,455,016	8,346,472	5,504,054	98,372,017	111,959,070	-12.14%
Unrestricted	120,604,017	106,421,484	12,108,240	8,661,640	132,712,257	115,083,124	15.32%
Total Net Assets	\$ 1,550,364,642	\$ 1,579,473,133	\$ 46,939,598	\$ 40,769,469	\$ 1,597,304,240	\$ 1,620,242,602	-1.42%

The largest portion of the County's net assets (85.0%) reflects its investments in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding.

An additional portion of the County's net assets (6.2%) represents resources that are subject to external restrictions on how they may be used according to government rules and regulations. The remaining balance of unrestricted net assets, \$132,712,257, may be used to meet the County's ongoing obligations to citizens and creditors.

# COUNTY OF MARIN

## Management's Discussion and Analysis For the Year Ended June 30, 2008

### Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total % Change
	2008	2007	2008	2007	2008	2007	
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 69,113,260	\$ 61,579,767	\$ 14,559,050	\$ 14,512,817	\$ 83,672,310	\$ 76,092,584	9.96%
Operating grants and contributions	178,914,115	179,763,216	47,461,190	44,180,894	226,375,305	223,944,110	1.09%
Capital grants and contributions	--	--	548,994	1,085,801	548,994	1,085,801	-49.44%
General revenues:							
Property taxes	195,047,145	165,848,803	3,233,545	2,906,523	198,280,690	168,755,326	17.50%
Sales and use taxes	2,920,483	2,980,581	--	--	2,920,483	2,980,581	-2.02%
Other taxes	8,438,480	9,830,520	--	--	8,438,480	9,830,520	-14.16%
Interest and investment earnings	13,928,177	14,711,655	382,508	534,171	14,310,685	15,245,826	-6.13%
Tobacco settlement revenues	2,856,389	2,545,345	--	--	2,856,389	2,545,345	12.22%
Other revenue	3,538,084	14,525,509	510,973	--	4,049,057	14,525,509	-72.12%
Total revenues	474,756,133	451,785,396	66,696,260	63,220,206	541,452,393	515,005,602	5.14%
<b>Expenses:</b>							
General government	95,010,097	89,662,322	--	--	95,010,097	89,662,322	5.96%
Public protection	159,494,067	128,292,008	--	--	159,494,067	128,292,008	24.32%
Public ways and facilities	41,518,385	36,194,234	--	--	41,518,385	36,194,234	14.71%
Health and sanitation	97,826,891	86,269,400	--	--	97,826,891	86,269,400	13.40%
Public assistance	61,789,547	53,747,450	--	--	61,789,547	53,747,450	14.96%
Education	13,346,183	12,685,835	--	--	13,346,183	12,685,835	5.21%
Recreation and culture services	17,274,181	14,395,195	--	--	17,274,181	14,395,195	20.00%
Interest on long-term debt	12,155,613	8,816,207	--	--	12,155,613	8,816,207	37.88%
Housing	--	--	33,585,123	33,441,426	33,585,123	33,441,426	0.43%
Other business-type activities	--	--	27,413,673	27,634,512	27,413,673	27,634,512	-0.80%
Total Expenses	498,414,964	430,062,651	60,998,796	61,075,938	559,413,760	491,138,589	13.90%
Change in net assets	(23,658,831)	21,722,745	5,697,464	2,144,268	(17,961,367)	23,867,013	-175.26%
Net assets, beginning	1,579,473,133	1,551,549,597	40,769,469	9,243,939	1,620,242,602	1,560,793,536	3.81%
	(5,449,660)	6,200,791	472,665	29,381,262	(4,976,995)	35,582,053	-113.99%
Net assets, beginning as restated	1,574,023,473	1,557,750,388	41,242,134	38,625,201	1,615,265,607	1,596,375,589	1.18%
Net assets, ending	\$ 1,550,364,642	\$ 1,579,473,133	\$ 46,939,598	\$ 40,769,469	\$ 1,597,304,240	\$ 1,620,242,602	-1.42%

## COUNTY OF MARIN

### Management's Discussion and Analysis For the Year Ended June 30, 2008

#### IV. FINANCIAL ANALYSIS OF FUNDS

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

**Governmental funds.** The general government functions are included in the General, Special Revenue, Debt Service, and Capital Project Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

At June 30, 2008, the County's governmental funds reported combined ending fund balance of \$294,648,088, which basically levels with that of prior fiscal period, showing a slight net increase of \$500,490 as compared to fiscal year 2007. Among the major changes in fund balance components are the \$4.24 million reduction in encumbrances, \$1.08 million decrease in advances to other funds, and \$0.75 million decrease in inventories. The decrease in encumbrances is due to the gradual completion on County's new Health and Wellness Center. And the County's component units repaying the loans lower the County's reserves for advances to the other funds. The declining inventory balance indicating consumption of previously purchased goods and supplies. Fiscal year 2007-08 is the fifth year the County paid Pension Obligation Bond (P.O.B.) semi-annual interest. Annual P.O.B. principal payments will start in fiscal year 2008-09. Principal payments begin at \$50,000 for 2008-09 and increase substantially over the next ten years to approximately \$5 million per year.

A total of \$33,002,021 of fund balance is reserved to indicate that funds are not available for new spending because it has been committed: (1) to pay for contracted obligations from vendors invoices (\$25.2 million), (2) to reflect the uncertainty of collection of Notes Receivable (\$6.7 million), (3) to reflect inventories and thus does not represent available spendable resources (\$0.65 million), and (4) to provide funds to its blended component units (\$0.38 million).

The general fund is the main operating fund of the County. At June 30, 2008, unreserved and undesignated fund balance of the general fund was \$28,861,795, while total fund balance reached \$159,119,857. As measures of the general fund's liquidity, it is useful to note that unreserved and undesignated fund balance represents 8.05% of total fund expenditures, while total fund balance represents 44.40% of that same amount.

Revenues for governmental funds totaled \$484,390,663 in fiscal year 2007-08, representing an increase of \$45.9 million as compared to fiscal year 2006-07.

## COUNTY OF MARIN

### Management's Discussion and Analysis For the Year Ended June 30, 2008

The following table presents the revenues from various sources as well as increases and decreases from the prior years in the governmental funds.

	FY 2008		FY 2007		Change	
	Amount	% of total	Amount	% of total	Amount	% of total
Taxes	\$ 206,031,654	42.53%	\$ 177,645,895	40.52%	\$ 28,385,759	15.98%
Licenses and permits	9,272,355	1.91%	8,921,535	2.03%	350,820	3.93%
Intergovernmental revenues	188,290,712	38.87%	170,386,619	38.86%	17,904,093	10.51%
Charges for services	52,906,956	10.92%	41,553,660	9.48%	11,353,296	27.32%
Fines and forfeits	7,566,336	1.56%	8,177,045	1.87%	(610,709)	-7.47%
Use of money and property	13,928,177	2.88%	14,711,655	3.36%	(783,478)	-5.33%
Miscellaneous	6,394,473	1.32%	17,050,494	3.89%	(10,656,021)	-62.50%
<b>Total Revenues</b>	<b>\$ 484,390,663</b>	<b>100.00%</b>	<b>\$ 438,446,903</b>	<b>100.00%</b>	<b>\$ 45,943,760</b>	<b>10.48%</b>

The County's total revenues in fiscal year 2008 increased by \$46 million as compared to fiscal year 2007. The sources of revenue increase are \$28 million in taxes, \$18 million on intergovernmental revenues, and \$11 million from charges for services. These increases are partially offset by \$10.6 million decline in miscellaneous revenues. Significant changes for major revenues sources are explained below:

**Taxes revenues**, representing 42.53% of the County's total revenues, are property tax revenues, special taxes, fees and assessments revenues, sales tax revenues, and Transient Occupancy Tax revenues. The \$28 million increase in taxes revenues in fiscal year 2008, as compared to fiscal year 2007, is mainly due to: (1) the one-time \$17 million state settlement to the County from the erroneous apportionment of Education Revenue Augmentation Fund on state-sponsored Home Care Mental Assistance program; and (2) \$7 million rise of secured property tax collection due to the housing market condition. It should be noted that property values in the county, as in the state and nation as a whole, have deteriorated. We anticipate reduced property tax growth looking ahead.

**Intergovernmental revenues**, representing 39% of total revenues, provide funding sources to the County for various services to the citizens in the areas such as health, social, and public protections. The \$18 million increase in Intergovernmental revenues in fiscal year 2008, as compared to fiscal year 2007, is mainly due to modest program grants and aids funding improvement as well as a one-time state contribution on numerous agriculture, public work, and public protection programs. In addition, federal aid amounting \$9.5 million has been accounted herein for County's storm damage in recent time.

**Charges for Services**, representing 10.9% of total revenues, are mostly inflows of fees for services that County has provided to other governmental, non-profit entities, and individuals, these fees afford a means to recoup service cost and to alleviate revenue shortfalls from the state and federal sources. As for fiscal year 2008, there is an increase of \$11 million in such revenue as compared to fiscal year 2007.

## COUNTY OF MARIN

### Management's Discussion and Analysis For the Year Ended June 30, 2008

The following table presents expenditures by function compared to prior year's amounts in the governmental funds.

	FY 2008		FY 2007		Change	
	Amount	% of total	Amount	% of total	Amount	% of total
Current:						
General government	\$ 83,507,072	17.38%	\$ 84,263,526	18.96%	\$ (756,454)	-0.90%
Public protection	145,943,750	30.37%	125,217,313	28.17%	20,726,437	16.55%
Public ways	29,551,781	6.15%	26,946,567	6.06%	2,605,214	9.67%
Health & sanitation	93,272,025	19.41%	85,683,169	19.28%	7,588,856	8.86%
Public assistance	57,190,292	11.90%	53,709,223	12.08%	3,481,069	6.48%
Education	12,275,585	2.55%	12,688,534	2.85%	(412,949)	-3.25%
Culture and recreation	15,411,105	3.21%	13,830,438	3.11%	1,580,667	11.43%
Capital outlay	28,837,335	6.00%	29,087,206	6.54%	(249,871)	-0.86%
Debt service:						
Principal	4,243,324	0.88%	3,892,833	0.88%	350,491	9.00%
Interest	10,312,950	2.15%	8,495,748	1.91%	1,817,202	21.39%
Issuance costs	--	0.00%	628,378	0.14%	(628,378)	-100.00%
Total	<u>\$ 480,545,219</u>	<u>100.00%</u>	<u>\$ 444,442,935</u>	<u>100.00%</u>	<u>\$ 36,102,284</u>	<u>8.12%</u>

The County's total expenses in fiscal year 2008 increased by \$36 million as compared to fiscal year 2007. These increases are mainly due to spending growth on these service functions: \$20.7 million in Public Protection, \$7.58 million in Health & Sanitation, \$3.48 million in Public Assistance, and \$1.58 million in Culture and recreation. Significant changes for major expenditure functions in the governmental funds are explained below:

- **General Government** expenditures, representing 17.4% of the County's annual spending, is basically level with prior fiscal year's data, reflecting the stagnation of slowed-down economy at the local level as well as state-wide.
- **Public Protection** expenditures, now account for 30.4% of County's aggregate spending. Major public protection services such as fire, police, and detention rely heavily on full-time personnel, temporary personnel and overtime. Personnel costs increased due to compensation adjustments for existing employees and the hiring of additional temporary personnel, as demands for service increased. In addition the construction of the East Shore Wastewater System is in progress, and accounted for within the public safety category. As of this year, the project has incurred \$1.1 million in costs.
- **Health and Sanitation** expenditures, representing 19% of County-wide spending, has experienced a \$7 million increase, mirroring funding improvement from intergovernmental sources such as grants and aids, as well as the allocation of \$5.2 million for the new on-going OPEB cost.
- **Capital Outlay** expenditures, lower from last year's 6% to this year's 5.8% County-wide spending, reflects major project on continued construction of County's Health and Wellness Center.

# COUNTY OF MARIN

## Management's Discussion and Analysis For the Year Ended June 30, 2008

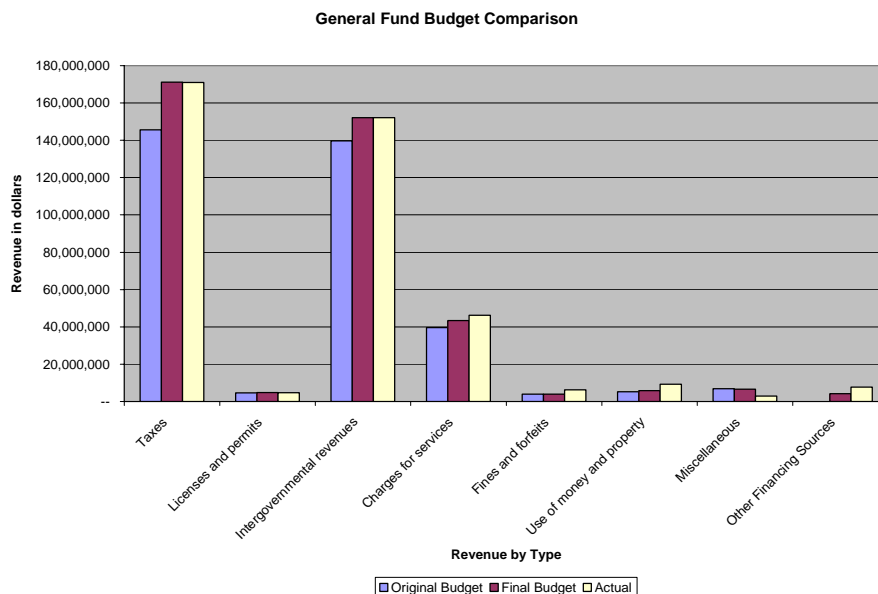
**Proprietary Funds.** The County's proprietary funds provide the same type of information found on the government-wide financial statements, but in more detail. These include four Enterprise funds: Marin County Transit, Housing Authority, County Fair and the County Airport; and one internal service fund: Marin County Workers Compensation Fund. Factors affecting the financial results of these funds were discussed earlier in the business-type activities of the County.

### V. GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2008, actual resources surpassed final budgeted resources by \$8.4 million, this increase stems mainly from revenues of interest earning, charges for services, and legal fines. For financial outflow, actual spending was less than the final budgeted appropriation by \$18.5 million. This spending variance between the final budget and the actual data was mainly due to expenditure reductions of \$29.9 million in *General Government* spending and \$3 million in *Health and Sanitation*, reflecting the economy slowdown and state budget cut. These reductions were partially offset by a net of additional \$14 million of non-budgeted transfers out from the General Fund to aid numerous capital projects, debt services, and low-cost housing developments.

Resources (revenues & other financing sources) and appropriations (expenditures & other financing uses) represent the legal level of budgetary controls. In fiscal year 2007-08, the final budgeted resources of the general fund are \$391,918,590. This is \$46,465,240 or 13.5% higher than the original budget of \$345,453,350. The final budgeted appropriation for the General Fund is \$403,391,539 or \$29,298,717 or 7.8% higher than the original budgeted appropriation of \$374,092,822.

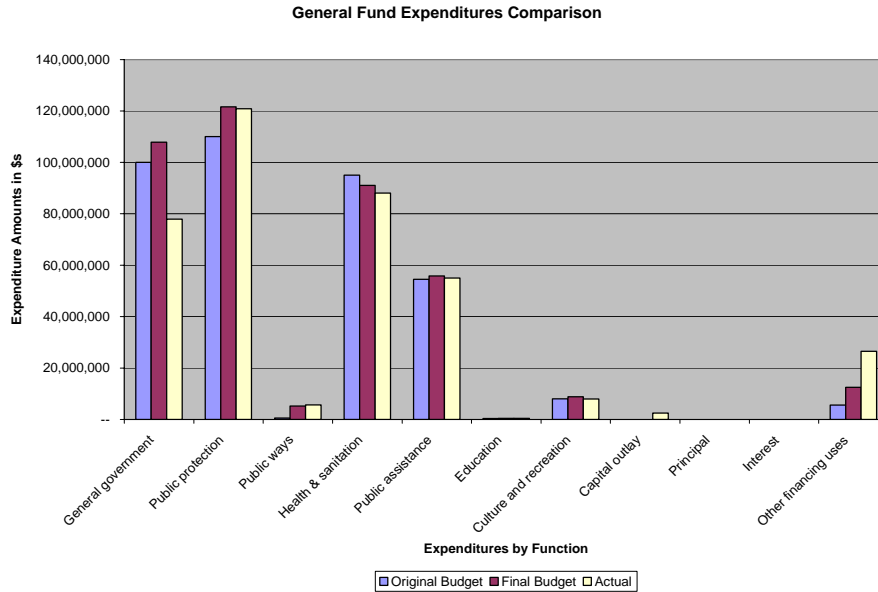
The following charts provide a comparison of General Fund's budgeted numbers for revenue sources and expenditures by functions.



# COUNTY OF MARIN

## Management's Discussion and Analysis For the Year Ended June 30, 2008

The following chart provides a comparison of General Fund's budgeted expenditures with final budget and actual expenditures by function:



## VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

### A. Capital Assets

The County's capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$1,454,384,844 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment and general infrastructure (i.e. roads, bridges, flood control networks, and sewage systems).

The following table provides a comparison of County's capital assets net of accumulated depreciation in fiscal year 2007/08 compared with fiscal year 2006/07:

### County of Marin's Capital Assets

(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total		Change Inc (Dec)
	2008	2007	2008	2007	2008	2007	
Land and infrastructure land	\$ 1,221,017,118	\$ 1,220,623,366	\$ 7,049,682	\$ 6,324,264	\$ 1,228,066,800	\$ 1,226,947,630	\$ 1,119,170
Structures and improvements	73,089,778	73,433,372	21,322,660	20,522,063	94,412,438	93,955,435	457,003
Equipment	7,926,916	7,358,703	810,959	605,621	8,737,875	7,964,324	773,551
Infrastructure	70,881,892	80,085,125	--	--	70,881,892	80,085,125	(9,203,233)
Other property	--	--	2,450,492	2,568,438	2,450,492	2,568,438	(117,946)
Construction in progress	48,756,681	28,786,511	1,078,666	1,303,073	49,835,347	30,089,584	19,745,763
<b>Total</b>	<b>\$ 1,421,672,385</b>	<b>\$ 1,410,287,077</b>	<b>\$ 32,712,459</b>	<b>\$ 31,323,459</b>	<b>\$ 1,454,384,844</b>	<b>\$ 1,441,610,536</b>	<b>\$ 12,774,308</b>

Additional information regarding capital assets can be found in Note 6 of this report.

## COUNTY OF MARIN

### Management's Discussion and Analysis For the Year Ended June 30, 2008

#### **B. Long-Term Debt**

At June 30, 2008, the County had total long-term debt outstanding of \$255,615,662 consisting of \$173,359,706 in bonds payable, \$39,110,000 in outstanding certificates of participation, \$958,374 in capitalized lease obligations, \$6,987,842 in loans payable, \$13,079,740 in compensated absences payable, and \$22,120,000 in claims liability.

Additional information on the County's long-term liabilities can be found in Note 8 of this report.

#### **VII. ECONOMIC FACTORS AND FY 2008-09 BUDGET**

The economic development for California in 2008 has entered a slow phase in contrast with prior years because of declined housing and financial service market. Comparatively speaking, Marin County is better off than most other areas due to the relatively stable standing of our real estate market and our prudent fiscal management. However, Marin County government is not immune from these difficult times and faces a long-term budget shortfall like other organizations. Just as it is committed to creating a more sustainable Marin, we're also committed to protecting our financial resources and will need to reduce spending to live within our means. While Marin's unemployment rate remained low when compared to state's and nation's averages, businesses within the County such as Construction, Finance & Insurance, and Retails are expected to experience contraction in the coming years due to stagnating market condition. To meet these challenges, the County is in the process of improving the ways vital services are delivered to the communities, making long-term capital investment on Health & Wellness Campus, and preparing funding arrangement to maintain regional economic sustainability and "safety net" programs such as welfare, health, and family cares.

Looking ahead, the County's overall budgeted financing sources for FY2008-09 are estimated at \$408.3 million from this year's \$399.5 million, reflecting a slight 2.2% increase; and the budgeted financing requirements would grow to \$435.1 million from last year's \$425.2 million, showing a 2.3% rise. This pattern of leveling movement for the inflow and outflow of financing resources are expected to alter in the coming years as recessionary economy brings contraction to the revenue bases and the subsequent increase of public reliance on local government for additional services and social assistance. Given the severity of projected economic conditions, the typical practice of annual, incremental budget reductions may not be sufficient to continue providing a high quality of service. Our new fiscal reality requires changes in how we do business to be more adaptive to changing conditions in order to maintain or enhance our quality of service. The county plans to initiate a long-term restructuring process, a "blueprint" series of strategies to set a direction for the County organization to balance its budget while achieving a long-term vision of sustainability. By planning ahead and building on our successes, we can minimize the risk of more significant service cuts and make changes based on our priorities and values.



## **COUNTY OF MARIN**

Management's Discussion and Analysis  
For the Year Ended June 30, 2008

### **VIII. 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

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**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# COUNTY OF MARIN

## Statement of Net Assets

June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments in County pool	\$ 298,462,507	\$ 5,870,097	\$ 304,332,604
Other outside investments	--	2,819,108	2,819,108
Receivables:			
Accounts and other - net	10,956,987	411,945	11,368,932
Taxes	1,388,463	64,835	1,453,298
Due from other agencies	18,006,344	4,297,082	22,303,426
Employee loans	1,072,501	--	1,072,501
Other loans	9,034,019	3,995,371	13,029,390
Inventories	647,936	--	647,936
Prepaid items and other assets	3,950	1,340,261	1,344,211
Internal balances	589,281	(589,281)	--
Restricted cash held with trustee	5,120,093	--	5,120,093
Other restricted cash		5,668,730	5,668,730
Deferred fiscal charges	3,947,313	--	3,947,313
Net pension asset	89,303,950	--	89,303,950
Capital assets:			
Nondepreciable	1,269,773,799	8,128,348	1,277,902,147
Depreciable, net	151,898,586	24,584,111	176,482,697
<b>Total assets</b>	<u>\$ 1,860,205,729</u>	<u>\$ 56,590,607</u>	<u>\$ 1,916,796,336</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 8,001,564	\$ 2,567,777	\$ 10,569,341
Salaries and benefits payable	11,791,919	201,748	11,993,667
Accrued interest payable	4,181,990	727,712	4,909,702
Unearned revenues	1,514,360	127,206	1,641,566
Other liabilities	2,757,219	747,067	3,504,286
Estimated claims	22,120,000	--	22,120,000
Compensated absences:			
Due within one year	10,582,664	46,989	10,629,653
Due beyond one year	2,294,529	155,558	2,450,087
Long-term liabilities:			
Due within one year	5,253,566	70,420	5,323,986
Due beyond one year	209,966,276	5,006,532	214,972,808
Liability for post-employment benefits	31,377,000	--	31,377,000
<b>Total liabilities</b>	<u>309,841,087</u>	<u>9,651,009</u>	<u>319,492,096</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,339,735,080	26,484,886	1,366,219,966
Restricted:			
Education	5,273,454	--	5,273,454
Health and sanitation	16,146,705	--	16,146,705
Public assistance	10,915,608	--	10,915,608
Public protection	35,405,016	--	35,405,016
Public ways and facilities	6,514,329	--	6,514,329
Recreation	6,418,145	--	6,418,145
Debt service	9,352,288	--	9,352,288
Other purposes	-	8,346,472	8,346,472
Unrestricted	120,604,017	12,108,240	132,712,257
<b>Total net assets</b>	<u>1,550,364,642</u>	<u>46,939,598</u>	<u>1,597,304,240</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,860,205,729</u>	<u>\$ 56,590,607</u>	<u>\$ 1,916,796,336</u>

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

**COUNTY OF MARIN**

Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 95,010,097	\$ 29,213,708	\$ 2,769,312	\$ --
Public protection	159,494,067	28,126,901	29,366,720	--
Public ways and facilities	41,518,385	2,587,602	20,409,663	--
Health and sanitation	97,826,891	3,745,162	71,684,041	--
Public assistance	61,789,547	1,204,826	51,891,769	--
Education	13,346,183	238,400	729,022	--
Recreation and cultural services	17,274,181	3,996,661	2,063,588	--
Debt Service:				
Interest and fiscal charges	12,155,613	--	--	--
Total governmental activities	<u>498,414,964</u>	<u>69,113,260</u>	<u>178,914,115</u>	<u>--</u>
Business-Type Activities:				
Housing Authority	33,585,123	2,804,727	31,394,617	548,994
Other business-type activities	27,413,673	11,754,323	16,066,573	--
Total business-type activities	<u>60,998,796</u>	<u>14,559,050</u>	<u>47,461,190</u>	<u>548,994</u>
Total primary government	<u>\$ 559,413,760</u>	<u>\$ 83,672,310</u>	<u>\$ 226,375,305</u>	<u>\$ 548,994</u>

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
\$ (63,027,077)	\$ --	\$ (63,027,077)
(102,000,446)	--	(102,000,446)
(18,521,120)	--	(18,521,120)
(22,397,688)	--	(22,397,688)
(8,692,952)	--	(8,692,952)
(12,378,761)	--	(12,378,761)
(11,213,932)	--	(11,213,932)
<u>(12,155,613)</u>	<u>--</u>	<u>(12,155,613)</u>
<u>(250,387,589)</u>	<u>--</u>	<u>(250,387,589)</u>
--	1,163,215	1,163,215
--	407,223	407,223
<u>--</u>	<u>1,570,438</u>	<u>1,570,438</u>
<u>(250,387,589)</u>	<u>1,570,438</u>	<u>(248,817,151)</u>
195,047,145	3,233,545	198,280,690
2,920,483	--	2,920,483
8,438,480	--	8,438,480
13,928,177	382,508	14,310,685
2,856,389	--	2,856,389
3,538,084	510,973	4,049,057
<u>226,728,758</u>	<u>4,127,026</u>	<u>230,855,784</u>
(23,658,831)	5,697,464	(17,961,367)
1,579,473,133	40,769,469	1,620,242,602
<u>(5,449,660)</u>	<u>472,665</u>	<u>(4,976,995)</u>
<u>\$ 1,550,364,642</u>	<u>\$ 46,939,598</u>	<u>\$ 1,597,304,240</u>

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

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**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

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**COUNTY OF MARIN**

Balance Sheet  
Governmental Funds  
June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and investments in County pool	\$ 152,323,497	\$ 37,520,310	\$ 85,919,688	\$ 275,763,495
Cash with fiscal agent	771	18,073	4,870,842	4,889,686
Receivables:				
Taxes	1,388,463	--	--	1,388,463
Accounts	10,908,779	--	48,208	10,956,987
Notes receivable	2,295,140	203,554	6,535,325	9,034,019
Employee loans receivable	1,072,501	--	--	1,072,501
Due from other funds	694,334	--	109,834	804,168
Due from other governmental agencies	12,382,220	1,232,426	4,391,698	18,006,344
Advances to other funds	333,333	--	45,400	378,733
Prepaid expenses	3,950	--	--	3,950
Inventory of supplies	543,430	--	104,506	647,936
	<u>\$ 181,946,418</u>	<u>\$ 38,974,363</u>	<u>\$102,025,501</u>	<u>\$ 322,946,282</u>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued expenses	\$ 4,543,446	\$ 485,506	\$ 2,928,521	\$ 7,957,473
Accrued salaries and benefits	10,850,673	--	941,246	11,791,919
Due to other funds	--	--	214,887	214,887
Advances payable	--	--	378,733	378,733
Deferred revenue	5,197,963	--	--	5,197,963
Fiduciary liabilities	--	--	430,369	430,369
Other liabilities	2,234,479	--	92,371	2,326,850
Total liabilities	<u>22,826,561</u>	<u>485,506</u>	<u>4,986,127</u>	<u>28,298,194</u>
<b><u>FUND BALANCES</u></b>				
Reserved for:				
Encumbrances	15,496,737	4,951,851	4,783,935	25,232,523
Prepaid expenses	3,950	--	--	3,950
Advances to other funds	333,333	--	45,400	378,733
Inventories	543,430	--	104,506	647,936
Notes receivable	--	203,554	6,535,325	6,738,879
Unreserved:				
Designated:				
Subsequent expenditures	72,480,612	25,385,237	2,663,620	100,529,469
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	--	--	1,614,713	1,614,713
Undesignated				
Reported in the General Fund	28,861,795	--	--	28,861,795
Reported in Special Revenue Funds	--	--	69,462,581	69,462,581
Reported in Capital Projects Funds	--	7,948,215	--	7,948,215
Reported in Debt Service Funds	--	--	11,829,294	11,829,294
Total fund balances	<u>159,119,857</u>	<u>38,488,857</u>	<u>97,039,374</u>	<u>294,648,088</u>
	<u>\$ 181,946,418</u>	<u>\$ 38,974,363</u>	<u>\$102,025,501</u>	<u>\$ 322,946,282</u>

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, 2008

Fund Balance - total governmental funds (page 18)		\$ 294,648,088
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of:</p>		
Land	1,221,017,118	
Construction in progress	48,756,681	
Infrastructure, net of accumulated depreciation	70,881,892	
Buildings and improvements, net of accumulated depreciation	73,089,778	
Equipment, net of accumulated depreciation	7,926,916	
Total capital assets		1,421,672,385
<p>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.</p>		
		93,251,263
<p>Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the Governmental Funds.</p>		
		3,683,603
<p>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.</p>		
		5,104,328
<p>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:</p>		
Certificates of participation, bonds and loans payable	(214,307,259)	
Capital leases	(912,583)	
Accrued interest on long-term debt	(4,181,990)	
Compensated absences	(12,877,193)	
Other post employment benefits payable	(31,377,000)	
Claims and judgments	(4,339,000)	
Total long-term liabilities		(267,995,025)
Net assets of governmental activities (page 15)		\$ 1,550,364,642

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, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Taxes	\$ 170,925,976	\$ 19,200	\$ 35,086,478	\$ 206,031,654
Licenses and permits	4,687,284	--	4,585,071	9,272,355
Intergovernmental revenues	152,139,663	6,915,961	29,235,088	188,290,712
Charges for services	46,246,361	1,118,003	5,542,592	52,906,956
Fines and forfeits	6,271,635	542,295	752,406	7,566,336
From use of money and property	9,349,183	194,785	4,384,209	13,928,177
Miscellaneous	2,937,686	36,098	3,420,689	6,394,473
Total revenues	<u>392,557,788</u>	<u>8,826,342</u>	<u>83,006,533</u>	<u>484,390,663</u>
<b>Expenditures:</b>				
Current:				
General government	77,997,254	1,984,345	3,525,473	83,507,072
Public protection	120,913,146	1,534,925	23,495,679	145,943,750
Public ways and facilities	5,651,711	13,503,147	10,396,923	29,551,781
Health and sanitation	88,064,110	354,806	4,853,109	93,272,025
Public assistance	55,019,354	--	2,170,938	57,190,292
Education	417,043	--	11,858,542	12,275,585
Recreation and cultural services	7,922,570	1,180,193	6,308,342	15,411,105
Capital outlay	2,475,289	25,335,707	1,026,339	28,837,335
Debt Service:				
Principal	13,324	--	4,230,000	4,243,324
Interest	20,536	--	10,292,414	10,312,950
Total expenditures	<u>358,494,337</u>	<u>43,893,123</u>	<u>78,157,759</u>	<u>480,545,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,063,451</u>	<u>(35,066,781)</u>	<u>4,848,774</u>	<u>3,845,444</u>
Other Financing Sources (Uses):				
Transfers in	7,762,066	15,747,770	17,725,038	41,234,874
Transfers out	(26,485,429)	(2,754,491)	(11,994,954)	(41,234,874)
Sale of capital assets	--	--	5,351	5,351
Total other financing sources (uses)	<u>(18,723,363)</u>	<u>12,993,279</u>	<u>5,735,435</u>	<u>5,351</u>
Net change in fund balances	15,340,088	(22,073,502)	10,584,209	3,850,795
Fund balances, beginning of year	143,779,769	60,562,359	89,805,470	294,147,598
Prior period adjustment	--	--	(3,350,305)	(3,350,305)
Fund balances, beginning of year - restated	<u>143,779,769</u>	<u>60,562,359</u>	<u>86,455,165</u>	<u>290,797,293</u>
Fund balances, end of year	<u>\$ 159,119,857</u>	<u>\$ 38,488,857</u>	<u>\$ 97,039,374</u>	<u>\$ 294,648,088</u>

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, 2008

Net change to fund balance - total governmental funds (page 20) \$ 3,850,795

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	\$ 32,625,993	
Less: current year depreciation	<u>(19,141,330)</u>	13,484,663

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		(9,634,530)

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	(857,877)	
Repayment of bonds, certificates of participation, and notes	<u>4,230,000</u>	
Net adjustment		3,023,162

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		677,083
Inception of capital lease		(184,549)

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	(841,397)	
Amortization of net pension asset	(4,700,210)	
Other post employment benefits liability	(31,377,000)	
Change in claims liability	(10,000)	
Accrued interest on long-term debt	<u>(622,501)</u>	
Net adjustment		(37,551,108)

Internal service funds are used by the County to charge the cost of worker's compensation insurance to individual funds. The net revenue of internal service fund is reported with governmental activities.

2,675,653

Change in net assets of governmental activities (page 17)		<u><u>\$ (23,658,831)</u></u>
-----------------------------------------------------------	--	-------------------------------

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

# COUNTY OF MARIN

## Statement of Fund Net Assets Proprietary Funds June 30, 2008

	Business-type Activities			Governmental
	Nonmajor			Activities
	Housing Authority	Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and investments in County pool	\$ --	\$ 5,870,097	\$ 5,870,097	\$ 22,699,012
Cash with fiscal agent	--	--	--	230,407
Other cash	2,819,108	--	2,819,108	--
Receivables:				
Taxes	--	64,835	64,835	--
Accounts	203,096	208,849	411,945	--
Prepaid items and other assets	247,708	1,000,328	1,248,036	--
Deposits with others	--	92,225	92,225	--
Short-term notes receivable	2,713	--	2,713	--
Due from other governments	334,986	3,962,096	4,297,082	--
Total current assets	<u>3,607,611</u>	<u>11,198,430</u>	<u>14,806,041</u>	<u>22,929,419</u>
Noncurrent Assets:				
Restricted cash	5,668,730	--	5,668,730	--
Long-term notes receivable	3,992,658	--	3,992,658	--
Capital assets:				
Nondepreciable	4,267,871	3,860,477	8,128,348	--
Depreciable, net	20,161,688	4,422,423	24,584,111	--
Total noncurrent assets	<u>34,090,947</u>	<u>8,282,900</u>	<u>42,373,847</u>	<u>--</u>
<b>Total assets</b>	<u>\$ 37,698,558</u>	<u>\$ 19,481,330</u>	<u>\$ 57,179,888</u>	<u>\$ 22,929,419</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Vouchers and accounts payable	\$ 254,112	\$ 1,533,421	\$ 1,787,533	\$ 44,091
Interest payable	--	2,500	2,500	--
Accrued salaries and benefits	195,451	6,297	201,748	--
Due to other funds	89,281	500,000	589,281	--
Due to other agencies	530,067	--	530,067	--
Deferred revenues	127,206	--	127,206	--
Compensated absences	41,871	5,118	46,989	--
Mortgages payable	24,629	--	24,629	--
Capital leases	--	45,791	45,791	--
Total current liabilities	<u>1,262,617</u>	<u>2,093,127</u>	<u>3,355,744</u>	<u>44,091</u>
Long-Term Liabilities:				
Security deposits and escrows payable (payable from restricted assets:)	780,244	--	780,244	--
Advances from other funds	217,000	--	217,000	--
Compensated absences	125,618	29,940	155,558	--
Deferred interest due on long-term debt	725,212	--	725,212	--
Long-term debt	5,006,532	--	5,006,532	--
Estimated claims	--	--	--	17,781,000
Total noncurrent liabilities	<u>6,854,606</u>	<u>29,940</u>	<u>6,884,546</u>	<u>17,781,000</u>
<b>Total liabilities</b>	<u>8,117,223</u>	<u>2,123,067</u>	<u>10,240,290</u>	<u>17,825,091</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	18,247,777	8,237,109	26,484,886	--
Restricted	8,346,472	--	8,346,472	--
Unrestricted	2,987,086	9,121,154	12,108,240	5,104,328
Total net assets	<u>29,581,335</u>	<u>17,358,263</u>	<u>46,939,598</u>	<u>5,104,328</u>
<b>Total liabilities and net assets</b>	<u>\$ 37,698,558</u>	<u>\$ 19,481,330</u>	<u>\$ 57,179,888</u>	<u>\$ 22,929,419</u>

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, 2008

	Business-Type Activities			Governmental Activities
	Housing Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Operating Revenues:</b>				
Charges for services	\$ 3,810,214	\$ 11,735,706	\$ 15,545,920	\$ 5,865,943
Miscellaneous	--	527,813	527,813	--
<b>Total operating revenues</b>	<b>3,810,214</b>	<b>12,263,519</b>	<b>16,073,733</b>	<b>5,865,943</b>
<b>Operating Expenses:</b>				
Salaries and employee benefits	--	838,530	838,530	--
Services and supplies	--	\$ 26,151,763	26,151,763	361,773
Housing assistance	33,561,489	--	33,561,489	--
Claims expense	--	--	--	2,828,517
Depreciation	1,222,739	382,195	1,604,934	--
Agency disbursements	--	--	--	--
<b>Total operating expenses</b>	<b>34,784,228</b>	<b>27,372,488</b>	<b>62,156,716</b>	<b>3,190,290</b>
<b>Operating Income (Loss)</b>	<b>(30,974,014)</b>	<b>(15,108,969)</b>	<b>(46,082,983)</b>	<b>2,675,653</b>
<b>Non-Operating Revenues (Expenses):</b>				
Property tax revenue	--	3,233,545	3,233,545	--
Intergovernmental revenue	31,484,895	16,066,573	47,551,468	--
Investment income	191,651	254,245	445,896	--
Gain on asset disposal	102,209	1,777	103,986	--
Other income	128,263	--	128,263	--
Interest expense	(190,520)	(41,185)	(231,705)	--
<b>Total non-operating revenues (expenses)</b>	<b>31,716,498</b>	<b>19,514,955</b>	<b>51,231,453</b>	<b>--</b>
<b>Income (Loss) Before Capital Contributions</b>	<b>742,484</b>	<b>4,405,986</b>	<b>5,148,470</b>	<b>2,675,653</b>
Capital contributions	548,994	--	548,994	--
<b>Change in net assets</b>	<b>1,291,478</b>	<b>4,405,986</b>	<b>5,697,464</b>	<b>2,675,653</b>
Net assets, beginning of year	27,817,192	12,952,277	40,769,469	2,428,675
Prior period adjustment	472,665	--	472,665	--
Net assets, beginning of year - restated	28,289,857	12,952,277	41,242,134	2,428,675
Net assets, end of year	\$ 29,581,335	\$ 17,358,263	\$ 46,939,598	\$ 5,104,328

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, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Housing Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Cash receipts from customers	\$ 2,255,871	\$ 12,054,670	\$ 14,310,541	\$ --
Cash receipts from internal fund services provided	--	--	--	5,865,943
Cash paid to suppliers for goods and services	(28,122,947)	(26,714,198)	(54,837,145)	(3,146,199)
Cash paid to employee's for salaries and benefits	(4,082,954)	(836,304)	(4,919,258)	--
Net cash provided (used) by operating activities	<u>(29,950,030)</u>	<u>(15,495,832)</u>	<u>(45,445,862)</u>	<u>2,719,744</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Property tax revenues	--	3,226,039	3,226,039	--
Operating grants received	31,842,487	--	31,842,487	--
Intergovernmental revenues	--	12,702,092	12,702,092	--
Repayment of notes receivable	254,596	--	254,596	--
Notes receivable issued	(220,710)	--	(220,710)	--
Deposits held on behalf of another entity	33,500	--	33,500	--
Interest received on notes receivable	116,138	--	116,138	--
Interest on restricted cash	100,904	--	100,904	--
Investment income	87,939	254,245	342,184	--
Interest expense	--	(41,185)	(41,185)	--
Net cash provided (used) by noncapital financing activities	<u>32,214,854</u>	<u>16,141,191</u>	<u>48,356,045</u>	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal repayments on long-term debt	--	(640,000)	(640,000)	--
Capital contributions	548,994	(223,200)	325,794	--
Loan receivable issued	217,000	--	217,000	--
Interest repayments related to capital purposes	(128,985)	--	(128,985)	--
Proceeds from sale of real property	219,526	1,777	221,303	--
Capital leases	--	(58,450)	(58,450)	--
Payments related to the acquisition of capital assets	(1,068,325)	--	(1,068,325)	--
Net cash provided (used) by capital and related financing activities	<u>(211,790)</u>	<u>(919,873)</u>	<u>(1,131,663)</u>	<u>--</u>
Net increase (decrease) in cash and cash equivalents	<u>2,053,034</u>	<u>(274,514)</u>	<u>1,778,520</u>	<u>2,719,744</u>
Cash beginning of year, as originally stated	5,757,432	6,144,611	11,902,043	20,209,675
Prior period adjustment	677,372	--	677,372	--
Cash beginning of year, restated	<u>6,434,804</u>	<u>6,144,611</u>	<u>12,579,415</u>	<u>20,209,675</u>
Cash and cash equivalents, end of year	<u>\$ 8,487,838</u>	<u>\$ 5,870,097</u>	<u>\$ 14,357,935</u>	<u>\$ 22,929,419</u>

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

continued

**COUNTY OF MARIN**

Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities
	Housing Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (30,974,014)	\$ (15,108,969)	\$ (46,082,983)	\$ 2,675,653
Depreciation	1,222,739	382,195	1,604,934	--
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(55,211)	(208,849)	(264,060)	--
Prepaid items and other assets	(107,034)	(116,328)	(223,362)	--
Increase (decrease) in:				
Accounts payable	(108,038)	(446,107)	(554,145)	44,091
Salaries payable	49,318	3,105	52,423	--
Deferred revenue	6,795	--	6,795	--
Liability for compensated absences	15,415	(879)	14,536	--
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (29,950,030)</u></b>	<b><u>\$ (15,495,832)</u></b>	<b><u>\$ (45,445,862)</u></b>	<b><u>\$ 2,719,744</u></b>

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

**COUNTY OF MARIN**

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

	Investment Trust	Agency Funds
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 463,865,180	\$ 18,431,031
Taxes receivable	--	22,710,707
Cash with fiscal agent	7,954,466	1,174,301
Interest receivable	14,062	--
Advances to other funds	--	217,000
Total current assets	471,833,708	42,533,039
<b>LIABILITIES</b>		
Agency funds held for others	--	42,533,039
Total liabilities	--	42,533,039
<b>NET ASSETS</b>		
Net assets held in trust for investment pool participants	471,833,708	--
Total net assets	471,833,708	--
<b>Total liabilities and net assets</b>	<b>\$ 471,833,708</b>	<b>\$ 42,533,039</b>

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, 2008

**Additions:**

Contributions to investment pool	\$ 1,084,092,577
Total additions	<u>1,084,092,577</u>

**Deductions:**

Distributions from investment pool	<u>1,003,756,423</u>
Total deductions	<u>1,003,756,423</u>

Change in net assets	80,336,154
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<b>Net assets, beginning</b>	<u>391,497,554</u>
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<b>Net assets, ending</b>	<u><u>\$ 471,833,708</u></u>
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The accompanying notes are an integral part of these financial statements.



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**BASIC FINANCIAL STATEMENTS –  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

### 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:

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

#### A. **Reporting Entity** (continued)

- Sewer Maintenance Districts
- County Service Area Districts
- Lighting Districts
- Flood Control 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 Housing Authority
- Marin County Law Library
- Marin County Open Space District
- Marin County Transit District

The Golden Gate Tobacco Funding Corporation (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.

The Housing Authority of the County of Marin (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, 2007. The financial statements of the Authority are available by contacting the Authority at 4020 Civic Center Drive , 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 Auditor-Controller's office.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

### 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. 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.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

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

##### *Fund Financial Statements* (continued)

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 *Capital Projects* was established to account for financial resources to be used for the acquisition of major capital facilities.

The County reports the following major enterprise fund:

- The *Housing Authority of the County of Marin* is a public corporation authorized to provide decent, safe and sanitary housing for low and moderate income people. We are empowered to undertake all activities necessary to accomplish this public purpose, including acquiring property, developing housing, issuing tax-exempt bonds, entering into mortgages, trust indentures, leases, condemning property, borrowing money, accepting grants, and managing property.

The County reports the following additional fund types:

- *Internal Service Funds* are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the 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.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

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

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 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.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

#### **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.

#### **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.

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 collectible amounts. Penalties and interest are deposited into the Tax Loss Reserve Fund. Once the Tax Loss Reserve Fund balance exceed 25% of the secured delinquent roll, the excess can be credited to the General Fund.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

#### I. **Property Tax Revenue** (continued)

Unsecured property is not part of the Teeter Plan. Unsecured property taxes receivable are accrued to taxing agencies, net of the uncollectible amount which is estimated based on prior year collections. For the fiscal year ended June 30, 2008 this amount was estimated as \$877,703.

#### 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.

#### 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



# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

#### 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.

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.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

### 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.

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.

## COUNTY OF MARIN

### Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

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

Cash and Investments in County Pool

Cash	\$ 1,686,442
Investments	801,608,263
Specific investment in treasury	5,893,237
	<hr/>
	809,187,942
Less outstanding warrants and other reconciling items	(22,559,127)
	<hr/>
Total Cash and Investments in County Pool	786,628,815

Cash and Investments Outside County Pool

Other deposits	2,610,357
Investments of blended component unit	6,216,538
Investments with fiscal agent	13,909,803
	<hr/>
Total Cash and Investments	<u>\$ 809,365,513</u>

Total cash and investments at June 30, 2008 were presented on the County's financial statements as follows:

Primary Government	\$ 317,940,535
Investment Trust Fund	471,819,646
Agency Funds	19,605,332
	<hr/>
	<u>\$ 809,365,513</u>

#### Investments

The table below 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.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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, 2008, the County had the following investments:

	Interest Rates	Maturities	Par Value	Fair Value	Book Carrying Value	WAM (Years)
<b>Pooled Investments</b>						
Federal Agency Obligations	3.10%-5.55%	7/16/09-9/26/11	\$ 521,470,000	\$ 520,199,801	\$ 519,083,822	0.85
Commercial Paper-Discourt	2.35%-2.40%	8/15/08-8/28/08	10,100,000	10,062,198	10,053,210	0.14
Negotiable Certificates of Deposit	2.28%-2.72%	7/7/08-8/26/08	84,300,000	84,290,952	84,300,000	0.07
US Treasury Securities	1.84%-3.375%	7/3/08-6/4/09	90,000,000	89,756,100	88,861,811	0.32
Banker's Acceptances	2.25%-2.65%	7/1/08-9/8/08	33,397,000	33,358,605	33,198,432	0.04
Money Market	Variable	On Demand	47,262,386	47,262,386	47,262,386	0.00
California Local Agency Investment Fund (LAIF)	Variable	On Demand	18,848,602	18,848,602	18,848,602	0.00
<b>Total pooled investments</b>			<u>\$ 805,377,988</u>	<u>\$ 803,778,644</u>	<u>\$ 801,608,263</u>	0.60
<b>Specific Investments in Treasury</b>						
California Local Agency Investment Fund (LAIF)	Variable	On Demand	\$ 2,075,544	\$ 2,075,544	\$ 2,075,544	0.00
Federal Agency Obligations	4.52%	9/15/2008	4,000,000	3,980,000	3,817,693	0.21
			<u>\$ 6,075,544</u>	<u>\$ 6,055,544</u>	<u>\$ 5,893,237</u>	0.14
<b>Investments Outside Investment Pool</b>						
<i>Cash held with fiscal agent</i>						
Money Market Mutual Funds	Variable	On Demand	\$ 3,874,514	\$ 3,874,514	\$ 3,874,514	0.00
Federal Agency Obligations	3.48%-5.6%	10/1/08-2/1/13	5,234,109	5,234,109	5,234,109	2.17
Investment Contracts	4.77% - 5.70%	8/15/21 - 6/1/47	4,801,180	4,801,180	4,801,180	38.92
			<u>13,909,803</u>	<u>13,909,803</u>	<u>13,909,803</u>	14.25
<i>Investments of Blended Component Units</i>						
California Local Agency Investment Fund (LAIF)	Variable	On Demand	6,216,538	6,216,538	6,216,538	0.00
<b>Total investments outside investment pool</b>			<u>\$ 20,126,341</u>	<u>\$ 20,126,341</u>	<u>\$ 20,126,341</u>	

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

At June 30, 2008 the difference between the book and fair value of cash and investments was not material (book value was 99.7% of fair value). Therefore, an adjustment to fair value was not required.

#### 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, 2008, the County Treasury's investment pool had a weighted average maturity of .60 years, or less than 7.27 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, 2008, 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, 2008, 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	27.35%
Federal Home Loan Mortgage Corp.	21.46%
Federal National Mortgage Association	12.85%

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, 2008.

## COUNTY OF MARIN

### Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

	S&P	Moody's	% of Portfolio
<b>Investments in Investment Pool</b>			
Banker's Acceptances	A-1	P-1	4.14%
Federal Agencies Coupon	AAA	Aaa	20.94%
Federal Agencies Discount	A-1+	P-1	43.82%
US Treasury Securities	AAA	Aaa	11.09%
Commercial Paper	A-1+	P-1	1.25%
Negotiable CD's	A-1+	P-1	10.51%
Money Market Mutual Funds	AAA	Aaa	5.90%
California Local Agency Investment Fund (LAIF)	Unrated	Unrated	2.35%
			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, 2008, the County's pooled investment position in the State of California Local Agency Investment Fund (LAIF) was \$18,848,602 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 \$69.96 billion. Of that amount, 85.28% was invested in non-derivative financial products and 14.72% in structured notes and asset-backed securities. Fair value is based on information provided by the State for the Local Agency Investment Fund.

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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, 2008:

**Statement of Net Assets**

Net assets held for pool participants	\$ 786,628,815
Equity of internal pool participants	\$ 322,763,635
Equity of external pool participants	463,865,180
Total net assets	<u>\$ 786,628,815</u>

**Statement of Changes in Net Assets**

Net assets, beginning of year	\$ 827,299,814
Net change in investments by pool participants	(40,670,999)
Net assets, end of year	<u>\$ 786,628,815</u>

Note 3: **Notes Receivable**

Notes receivable consists of following activities:

Amounts are owed to the County from various cities and towns for overpayments of court fees. Amounts are being repaid over a five year period at a 3.87 interest rate. Final payment are due November 2011:

	Balance July 1, 2007		Notes Issued		Repayments		Balance June 30, 2008
Court fees notes receivable	\$ 2,927,526	\$	--	\$	633,386	\$	2,294,140

Notes were issued for low and moderate income housing projects by the Marin County Redevelopment Agency.

	Balance July 1, 2007		Notes Issued		Repayments		Balance June 30, 2008
Marin County Redevelopment Agency	\$ 203,554	\$	--	\$	--	\$	203,554

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

The County issued various long-term notes receivable for affordable housing construction and rehabilitation. Of these amounts, notes totaling \$4,000,000 are due in 54 years and another \$145,000 is deferred for 29 years. Fund balance reserves have been set aside for the full amount of the balance outstanding due to the long-term nature of these assets.

	<u>Balance</u> <u>July 1, 2007</u>	<u>Notes</u> <u>Issued</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2008</u>
Housing construction and rehabilitation	\$ 6,535,325	\$ --	\$ --	\$ 6,535,325

Business-type activities report \$3,993,317 in notes receivable for deferred payments loans to individuals and organizations. Activities of these notes are as follows:

	<u>Balance</u> <u>12/31/2006</u>	<u>Notes</u> <u>Issued</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2007</u>
Various programs	\$ 4,152,466	\$ 96,688	\$ 255,783	\$ 3,993,371

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, 2008, the various components of deferred revenue for governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<b>Governmental activities:</b>			
General Fund:			
Courts notes receivable	\$ 2,294,140	\$ --	\$ 2,294,140
Reimbursable grants	--	282,753	282,753
Property taxes	1,388,463	--	1,388,463
Advances from other governments	--	1,231,607	1,231,607
	<u>\$ 3,682,603</u>	<u>\$ 1,514,360</u>	<u>\$ 5,196,963</u>



**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

Note 5: **Interfund Transactions**

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to other funds**

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	166,667	Temporary loan for operations
	Other Governmental Funds	14,003	Temporary loan for operations
	Other Governmental Funds	13,664	Temporary loan for operations
	Nonmajor Enterprise Funds	400,000	Temporary loan for operations
	Nonmajor Enterprise Funds	100,000	Temporary loan for operations
		<u>694,334</u>	
Other Governmental Funds	Other Governmental Funds	20,553	Temporary loan for operations
	Housing Enterprise Fund	89,281	Temporary loan for operations
		<u>109,834</u>	

**Advances to other funds**

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	<u>333,333</u>	Temporary loan for operations
Other Governmental Funds	Other Governmental Funds	<u>45,400</u>	Temporary loan for operations
Agency Funds	Housing Enterprise Fund	<u>217,000</u>	Temporary loan for operations

**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:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects	\$ 12,071,297	To fund capital projects
	Nonmajor Governmental Funds	4,622,164	To fund operations
	Nonmajor Governmental Funds	9,791,967	Debt service
		<u>26,485,428</u>	
Capital Projects	Nonmajor Governmental Funds	1,852,163	Debt service
	Nonmajor Governmental Funds	902,328	To fund operations
		<u>2,754,491</u>	

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

**Transfers** (continued)

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Governmental Funds	General Fund	3,894,977	Semi-annual transfer to General Fund
	General Fund	217,912	To transfer CSA #28 paramedic assessment fees to GF
	General Fund	533,378	To transfer CSA #31 County Fire assessment fees to GF
	General Fund	75,012	Transfer funds from PTAP fund to GF to meet expenditures
	General Fund	2,860,894	To fund operations
	Capital Projects Fund	1,676,492	To fund operations
	Capital Projects Fund	100,000	To fund operations for trail acquisition and construction
	Capital Projects Fund	169,053	To fund operations of the courthouse construction
	Nonmajor Governmental Funds	137,956	To cover debt service payments
	Nonmajor Governmental Funds	48,072	To transfer used oil grant funds
	Nonmajor Governmental Funds	2,131,272	Annual in lieu housing transfer Health and wellness center additional funds
	Nonmajor Governmental Funds	148,251	funds
	Nonmajor Governmental Funds	993	To cover debt service
	Nonmajor Governmental Funds	651	To cover debt service
Total		<u>11,994,913</u> <u>\$ 41,234,832</u>	

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

Note 6: **Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Audited Balance 6/30/07	Additions	Deletions	Adjustments/ Transfers	Audited Balance 6/30/08
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 13,064,213	\$ 393,752	\$ --	\$ --	\$ 13,457,965
Infrastructure land	1,204,963,424	--	--	--	1,204,963,424
Easements	2,595,729	--	--	--	2,595,729
Construction in progress	28,786,511	28,143,813	--	(8,173,643)	48,756,681
Total capital assets, not being depreciated	<u>1,249,409,877</u>	<u>28,537,565</u>	<u>--</u>	<u>(8,173,643)</u>	<u>1,269,773,799</u>
Capital assets, being depreciated:					
Structures and improvements	141,020,426	--	--	5,470,106	146,490,532
Equipment	39,898,611	4,211,316	(3,341,422)	(521,757)	40,246,748
Infrastructure	295,953,175	--	--	1,154,522	297,107,697
Total capital assets, being depreciated	<u>476,872,212</u>	<u>4,211,316</u>	<u>(3,341,422)</u>	<u>6,102,871</u>	<u>483,844,977</u>
Less accumulated depreciation for:					
Structures and improvements	(67,587,054)	(5,813,700)	--	--	(73,400,754)
Equipment	(32,539,908)	(3,491,633)	3,138,347	573,362	(32,319,832)
Infrastructure	(215,868,050)	(9,835,997)	--	(521,758)	(226,225,805)
Total accumulated depreciation	<u>(315,995,012)</u>	<u>(19,141,330)</u>	<u>3,138,347</u>	<u>51,604</u>	<u>(331,946,391)</u>
Total capital assets, being depreciated, net	<u>160,877,200</u>	<u>(14,930,014)</u>	<u>(203,075)</u>	<u>6,154,475</u>	<u>151,898,586</u>
Governmental activities capital assets, net	<u>\$ 1,410,287,077</u>	<u>\$ 13,607,551</u>	<u>\$ (203,075)</u>	<u>\$ (2,019,168)</u>	<u>\$ 1,421,672,385</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 6,324,264	\$ --	\$ --	\$ 725,418	\$ 7,049,682
Construction in progress	1,303,073	318,640	--	(543,047)	1,078,666
Total capital assets, not being depreciated	<u>7,627,337</u>	<u>318,640</u>	<u>--</u>	<u>182,371</u>	<u>8,128,348</u>
Capital assets, being depreciated:					
Structures and improvements	39,367,349	829,365	(648,966)	3,546,158	43,093,906
Equipment	2,335,505	464,387	(11,685)	(540,581)	2,247,626
Other property	3,450,791	--	--	--	3,450,791
Total capital assets, being depreciated	<u>45,153,645</u>	<u>1,293,752</u>	<u>(660,651)</u>	<u>3,005,577</u>	<u>48,792,323</u>
Less accumulated depreciation for:					
Structures and improvements	(18,845,286)	(1,309,375)	531,649	(2,148,234)	(21,771,246)
Equipment	(1,729,884)	(201,512)	--	494,729	(1,436,667)
Other property	(882,353)	(94,047)	--	(23,899)	(1,000,299)
Total accumulated depreciation	<u>(21,457,523)</u>	<u>(1,604,934)</u>	<u>531,649</u>	<u>(1,677,404)</u>	<u>(24,208,212)</u>
Total capital assets, being depreciated, net	<u>23,696,122</u>	<u>(311,182)</u>	<u>(129,002)</u>	<u>1,328,173</u>	<u>24,584,111</u>
Business-type activities capital assets, net	<u>\$ 31,323,459</u>	<u>\$ 7,458</u>	<u>\$ (129,002)</u>	<u>\$ 1,510,544</u>	<u>\$ 32,712,459</u>

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

### **Capital Assets prior period adjustments:**

On business-type activities, Marin Housing Authority began to report two new two component units as of December 31, 2007: the Marin County Housing Development Financing Corporation (MCHDFC) and Marin Housing Development Corporation (MHDC), each of them owns one rental housing project. These component units' capital asset data has been reflected on the Adjustments column of the capital asset activity schedule.

### **Depreciation**

Depreciation expense was charged to governmental functions as follows:

#### **Governmental activities:**

General Government	\$ 7,939,238
Public Protection	1,109,600
Public Ways & Facilities	9,626,846
Health and Sanitation	73,830
Public Assistance	11,579
Recreation	375,026
Education	5,211
Total Depreciation Expense – Governmental Activities	<u>\$ 19,141,330</u>

#### **Business-type activities:**

Housing Authority	\$ 1,222,739
County Fair	73,745
Airport	165,594
Transit	142,856
Total Depreciation Expense – Business-Type Activities:	<u>\$ 1,604,934</u>

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 through the California Public Entity Insurance Authority (CSAC-EIA). Coverage in the Excess Workers' Compensation (EWC) Program is pooled to \$5 million and excess re-insurance purchased for a total limit of \$300 million above our SIR (self-insured retention). Activity related to the payment of claims is recorded in an internal service fund. There were no significant reductions in insurance coverage from the prior year nor did settlements exceed insurance coverage for the past three fiscal years. Claims liability is based upon the administrator's estimate of ultimate loss payment.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

#### Workers' Compensation (continued)

Changes in the balance of claims liabilities during the year are as follows:

	<u>2008</u>	<u>2007</u>
Liability Balance, Beginning of Fiscal Year	\$ 17,781,000	\$ 17,781,000
Current year claims and changes in estimates	3,158,558	2,787,448
Claim payments	<u>(3,158,558)</u>	<u>(2,787,448)</u>
Liability Balance, End of Fiscal Year	<u>\$ 17,781,000</u>	<u>\$ 17,781,000</u>

#### 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 purchased through CSAC Excess Insurance Authority for a total limit of \$35 million.

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, 2008 is \$4,339,000.

The following represents changes in those aggregate liabilities for the fund at June 30, 2008.

#### **General Liability**

	<u>2008</u>	<u>2007</u>
Liability Balance, Beginning of Fiscal Year	\$ 4,329,000	\$ 4,329,000
Current year claims and changes in estimates	2,780,544	877,400
Claim payments	<u>(2,770,544)</u>	<u>(877,400)</u>
Liability Balance, End of Fiscal Year	<u>\$ 4,339,000</u>	<u>\$ 4,329,000</u>

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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, 2008:

	Balance July 1, 2007	Additions	Deletions	Adjustments	Balance June 30, 2008	Amounts Due Within One Year
<b>Governmental Activities</b>						
Revenue bonds payable	\$ 11,925,000	\$ --	\$ 255,000		\$ 11,670,000	\$ 280,000
Taxable pension obligation bonds 2003	112,805,000	--	--		112,805,000	50,000
Tobacco settlement asset-backed bonds - 2007	49,870,081	--	1,000,000	823,127 *	49,693,208	1,180,000
Less: unamortized discount	(870,695)	--	(62,193)		(808,502)	--
Loans payable	1,802,803	--	13,324	48,074 *	1,837,553	13,876
Certificates of participation 2001	13,145,000	--	285,000		12,860,000	300,000
Certificates of participation 1998 Series A	19,315,000	--	805,000		18,510,000	840,000
Certificates of participation 1998 Series B	9,625,000	--	1,885,000		7,740,000	1,965,000
Capital leases payable	1,405,117	184,549	677,083		912,583	344,690
Compensated absences	12,035,796	11,143,534	10,302,137		12,877,193	10,582,664
Claims liability	22,110,000	5,939,102	5,929,102		22,120,000	--
<b>Total Governmental Activities Long-term liabilities</b>	<b>\$ 253,168,102</b>	<b>\$ 17,267,185</b>	<b>\$ 21,089,453</b>	<b>\$ 871,201</b>	<b>\$ 250,217,035</b>	<b>\$ 15,556,230</b>
<b>Business-type Activities</b>						
Notes payable - HCD	\$ 2,861,319	\$ --	\$ --	\$ --	\$ 2,861,319	\$ --
Mortgages payable - Housing	1,136,238	--	160,125	1,251,558	2,227,671	113,910
Other governmental agency loans	--	89,623	28,324	--	61,299	29,847
Capital leases payable	104,241	--	58,450	--	45,791	45,791
Compensated absences	175,338	70,094	42,885	--	202,547	46,989
<b>Total Business-type Activities Long-term liabilities</b>	<b>\$ 4,277,136</b>	<b>\$ 159,717</b>	<b>\$ 289,784</b>	<b>\$ 1,251,558</b>	<b>\$ 5,398,627</b>	<b>\$ 236,537</b>

\* (Accrued Interest)

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.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

The following table summarizes the County's long-term obligations as of June 30, 2008:

	Maturity	Stated/Effective Interest Rates	Annual Principal Installments	Date of Issue	Amount Authorized	Outstanding June 30, 2008
<b>Governmental Activities</b>						
<b>Certificates of Participation:</b>						
1998 Series A (finance various capital projects)	2022	4.00%-5.00%	\$685,000 - \$1,645,000	1998	24,725,000	18,510,000
1998 Series B (advance refund of outstanding 1991 Certificates)	2011	4.00%-5.00%	\$1,615,000 - \$2,135,000	1998	22,110,000	7,740,000
2001 Issue (finance capital improvement projects)	2032	4.70%-7.00%	\$215,000 - \$880,000	2001	14,100,000	12,860,000
<b>Revenue Bonds:</b>						
1998 Refunding Revenue bonds - Marin County Redevelopment Agency	2025	4.00%-5.50%	\$160,000 - \$1,320,000	1998	13,425,000	11,670,000
<b>Pension Obligation Bonds:</b>						
Taxable Pension Obligation Bonds Series A (fund pension liability)	2027	4.60%-5.41%	\$50,000-\$14,940,000	2003	112,805,000	112,805,000
<b>Asset-Backed Bonds:</b>						
Tobacco Settlement Asset-Backed Bonds Payable (Series 2007A through F)	2057	4.63%-6.90%	\$485,000-\$8,350,986	2007	49,870,081	49,693,208
<b>Loans Payable:</b>						
Energy Conservation Loan	2019	3.95%	\$12102-\$21517	2019	233,120	187,004
California Housing Finance Agency #1	2013	3.00%	Due on Maturity	2003	500,000	585,497
California Housing Finance Agency #2	2014	3.00%	Due on Maturity	2004	950,000	1,065,052
<b>Business-Type Activities</b>						
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	1,021,412
Mortgages Payable - Housing	2011	5-8%	Various	1999	1,445,558	1,206,259
Loans to Other Government Agencies	2009	5.25%	Various	2005	525,185	61,299

As of June 30, 2008, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30:	Governmental Activities					
	Bonds Payable		Certificates of Participation		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,510,000	\$ 8,398,614	\$ 3,105,000	\$ 1,755,793	\$ 13,876	\$ 7,251
2010	1,166,722	8,491,712	3,245,000	1,613,241	14,429	6,698
2011	1,655,591	8,428,017	3,380,000	1,467,096	15,005	6,122
2012	2,055,830	8,341,147	3,535,000	1,314,721	15,589	5,538
2013	2,616,722	8,234,999	1,365,000	1,205,731	601,723	97,223
2014-2017	23,237,835	38,475,958	7,875,000	4,995,999	1,156,414	252,908
2019-2023	46,472,300	29,745,450	10,045,000	2,836,349	20,517	610
2024-2028	60,080,333	13,836,931	3,290,000	1,181,314	--	--
2029-2033	5,485,000	6,071,750	3,270,000	320,150	--	--
2033-2057	29,887,875	191,539,875	--	--	--	--
Subtotal	174,168,208	321,564,453	39,110,000	16,690,394	1,837,553	376,350
Less Unamortized Discount	(808,502)	--	--	--	--	--
	<u>\$ 173,359,706</u>	<u>\$ 321,564,453</u>	<u>\$ 39,110,000</u>	<u>\$ 16,690,394</u>	<u>\$ 1,837,553</u>	<u>\$ 376,350</u>

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

Year Ending June 30:	<u>Business-Type Activities</u>		<u>Business-Type Activities</u>	
	<u>Mortgages Payable</u>		<u>Other Governments</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 113,840	\$ 140,672	\$ 29,847	\$ 2,435
2010	123,211	145,010	31,452	826
2011	87,177	137,477	--	--
2012	85,106	131,901	--	--
2013	966,412	103,727	--	--
2014-2018	1,162,969	260,055	--	--
2019-2023	490,305	122,560	--	--
2024-2028	8,739	48	--	--
Total	<u>\$ 3,037,759</u>	<u>\$ 1,041,450</u>	<u>\$ 61,299</u>	<u>\$ 3,261</u>

**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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 1,901,601	\$ 489,750
Less: Accumulated depreciation	<u>(1,293,172)</u>	<u>(463,302)</u>
	<u>\$ 608,429</u>	<u>\$ 26,448</u>



**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

Capital Lease Obligation (continued)

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2008:

Year Ending June 30:	Governmental Activities	Business-Type Activities
2009	\$ 378,785	\$ 46,749
2010	278,897	--
2011	244,174	--
2012	40,493	--
2013	40,492	--
Total Debt Service Requirements	<u>982,841</u>	<u>46,749</u>
Less Amount Representing Interest	<u>70,258</u>	<u>958</u>
Present Value of Remaining Payments	<u><u>\$ 912,583</u></u>	<u><u>\$ 45,791</u></u>

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
2009	\$ 2,479,952	\$ 1,134,116	\$ 3,614,068
2010	2,501,501	929,275	3,430,776
2011	2,001,867	746,887	2,748,754
2012	1,262,261	--	1,262,261
2013	906,824	--	906,824
2014-2017	979,431	--	979,431
2018-2046	265,413	--	265,413
Total	<u><u>\$ 10,397,249</u></u>	<u><u>\$ 2,810,278</u></u>	<u><u>\$ 13,207,527</u></u>

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

**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, 2008, outstanding general obligation bonds in the amount of \$29,115,000 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.
- *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).

## COUNTY OF MARIN

### Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

##### 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, 2008.

- Real rate of return is assumed to be 4.0% per year.

# COUNTY OF MARIN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

#### Funding Policy (continued)

- Cost of Living Adjustment is capped maximum at 3.8%
- Rate of salary increase is assumed to be 6.62% for the general plan (5.13% for the 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, 2007, the County's annual pension cost was \$42,416,000.

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)

<u>Year Ending June 30:</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2007	\$ 42,416	100.0%
2006	36,870	100.0%
2005	22,085	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	\$ 94,004,160
Net pension asset, end of year	\$ 89,303,950

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

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
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%
2005	858,183	992,226	134,043	86.49%	141,272	94.88%

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.

- 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.

## COUNTY OF MARIN

### Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

##### A. **Plan Description** (continued)

- For retirees hired on or after January 1, 2008 (Plan 4), the County pays \$150 per year of service up to \$3,000 per year for the retiree's single health plan premiums only.
- Retirees eligible for Plans 1 and 2 may elect Plan 3 instead; and retirees eligible for Plans 1, 2, or 3 may elect Plan 4 instead.
- Certain 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 2007/08, the County contributed \$9,650,060, including \$8,944,060 in premium payments for retirees, and \$706,000 for implied subsidies.

The County is studying various options for prefunding the Plan and has set aside cash of \$4,000,000, through June 30, 2008, in a reserve for that purpose.

##### 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 amortize any unfunded actuarial liabilities (or funding excess) over a rolling period not to exceed thirty years.

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

**C. Annual Other Postemployment Benefit Cost and Net Obligation** (continued)

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	--
Adjustment to annual required contribution	--
Annual OPEB cost (expense)	<u>41,265,000</u>
Benefit payments made (adjusted for mid-year payment)	<u>(9,888,000)</u>
Increase in net OPEB obligation	31,377,000
Net OPEB obligation - beginning of year	--
Net OPEB obligation - end of year	<u><u>\$ 31,377,000</u></u>

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
2008	\$ 41,265,000	24.00%	\$ 31,377,000

**D. 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)	<u>378,183,000</u>
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%

## COUNTY OF MARIN

### Notes to the Basic Financial Statements For the Year Ended June 30, 2008

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

##### **E. Impact of Subsequent Plan Changes**

Both the ARC and the Funded Status information shown above 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. Due to the amount of unfunded liability the County faces, the Board of Supervisors has implemented a policy to limit annual increases to no more than 3%, subject to annual approval regarding whether any increase will be granted and, if so, the amount of the increase. Pursuant to this policy the Board has limited both January 1, 2008 and January 1, 2009 cap increases to 3%. Had the ARC and the Funded Status calculations been based on limiting all future cap increases to 3%, the ARC would have been reduced to \$26,795,000; the end of year Net OPEB Obligation would have been reduced to \$16,907,000; and the Unfunded Actuarial Accrued Liability would have been reduced to \$310,945,000.

##### **F. 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, and annual healthcare cost trend rates for dental of 5.0% annually and medical of 11.5% initially (14.0% for Kaiser Senior Advantage, 8.5% for Medicare Part B premiums), decreasing to 6% over eleven years. In addition, the Plan 3 Cap (which through 2007 kept pace with Delta Dental and Blue Cross Prudent Buyer Classic premiums) has been assumed to continue to increase with these premiums in the future. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on the MCERA June 30, 2005 actuarial valuation assumptions.



**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

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

The UAAL 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 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	\$ --	\$ 378,183	\$ 378,183	0%	\$ 129,763	291.4%

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.

**COUNTY OF MARIN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

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

	Government-Wide Statement of	Fund Financial Statements		
	Governmental Activities	Governmental Funds		
<u>Governmental Activities</u>	General	Capital Projects	Other Governmental Funds	
Fund balances/net assets, June 30, 2007, as previously reported	\$ 1,579,473,133	\$ 143,779,769	\$ 60,562,359	\$ 89,805,470
Prior period adjustments:				
Capital asset adjustment	(2,099,335)	--	--	--
Reclassification of Other Governmental Fund to Agency Fund	(3,350,305)	--	--	(3,350,305)
Total restatement	(5,449,640)	--	--	(3,350,305)
Fund balances/net assets, July 1, 2007, as restated	\$ 1,574,023,493	\$ 143,779,769	\$ 60,562,359	\$ 86,455,165
	Governmental-Wide Statement of	Fund Financial Statements		
	Business-Type Activities	Proprietary Funds		
		Housing Authority	Nonmajor Enterprise	
Fund balances/net assets, June 30, 2007, as previously reported	\$ 40,769,469	\$ 27,817,192	\$ 12,952,277	
Prior period adjustments	472,665	472,665	--	
Fund balances/net assets, July 1, 2007, as restated	\$ 41,242,134	\$ 28,289,857	\$ 12,952,277	

**Net Assets restatements on governmental activities:**

- 1) Reverse prior year construction in progress capitalized in error.
- 2) Reclassification of other governmental fund to Agency fund relating to a blended component unit.

COUNTY OF MARIN

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2008

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

**Net Assets restatements on business-type activities:**

Marin Housing Authority uses the calendar year as its fiscal year and restated its beginning net assets for fiscal year 06-07 by \$472,665.

The prior period adjustments consist of the addition of the net assets of two blended component units – Marin County Housing Development Financing Corporation (MCHDFC) and the Marin Housing Development Corporation (MHDC) as follows:

MCHDFC	\$ 885,536
MHDC	<u>(412,871)</u>
	<u>\$ 472,665</u>

Overall cash for the Housing Authority increased by \$677,372 as part of this restatement.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**COUNTY OF MARIN**

Schedule of Funding Progress  
For the Year Ended June 30, 2008

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

Valuation Date (Most Recent Data Available) June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
2005	858,183	992,226	134,043	86.49%	141,272	94.88%

Schedule of Funding Progress Other Post Employment Benefits 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	\$ --	\$ 378,183	\$ 378,183	0%	\$ 129,763	291.4%

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, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1, restated	\$ 143,779,769	\$ 143,779,769	\$ 143,779,769	\$ --
<b>Resources (inflows):</b>				
Taxes	145,579,221	171,099,630	170,925,976	(173,654)
Licenses and permits	4,606,103	4,805,477	4,687,284	(118,193)
Intergovernmental revenues	139,702,668	152,135,285	152,139,663	4,378
Charges for services	39,597,605	43,374,589	46,246,361	2,871,772
Fines and forfeits	3,903,748	3,941,998	6,271,635	2,329,637
From use of money and property	5,233,879	5,800,734	9,349,183	3,548,449
Miscellaneous	6,830,126	6,590,899	2,937,686	(3,653,213)
Other financing sources	--	4,169,977	7,762,066	3,592,089
Amounts available for appropriation	345,453,350	391,918,589	400,319,854	8,401,265
<b>Charges to appropriations (outflows):</b>				
<b>Current:</b>				
General government	99,994,287	107,888,863	77,997,254	29,891,609
Public protection	110,013,026	121,663,173	120,913,146	750,027
Public ways and facilities	559,044	5,231,518	5,651,711	(420,193)
Health and sanitation	95,048,150	91,072,451	88,064,110	3,008,341
Public assistance	54,538,058	55,850,587	55,019,354	831,233
Education	385,202	422,216	417,043	5,173
Culture and recreation	7,998,069	8,815,130	7,922,570	892,560
Capital outlay	--	--	2,475,289	(2,475,289)
<b>Debt Service</b>				
Principal	--	--	13,324	(13,324)
Interest	--	--	20,536	(20,536)
Other financing uses	5,556,986	12,447,601	26,485,429	(14,037,828)
Total charges to appropriations	374,092,822	403,391,539	384,979,766	18,411,773
Budgetary fund balances, June 30	\$ 115,140,297	\$ 132,306,819	\$ 159,119,857	\$ 26,813,038
<b>Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:</b>				
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement				\$ 400,319,854
<b>Differences - budget to GAAP:</b>				
Transfers from other funds and proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.				(7,762,066)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				\$ 392,557,788
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 384,979,766
<b>Differences - budget to GAAP:</b>				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.				(26,485,429)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				\$ 358,494,337

## COUNTY OF MARIN

### Note to Required Supplementary Information For the Fiscal Year Ended June 30, 2008

#### **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.