

COUNTY OF MARIN
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by: Department of Finance

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

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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, 2009, which collectively comprise the County’s basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County’s management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marin County Redevelopment Agency, the Housing Authority of the County of Marin, and the Marin County Transit District, which represent the following percentages of assets and revenues/additions as of and for the fiscal year ended June 30, 2009:

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

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

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


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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



Roseville, California
August 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

COUNTY OF MARIN

Management's Discussion and Analysis
Unaudited
For the Fiscal Year Ended June 30, 2009

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

As management of the County of Marin, California, (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which immediately follow this section.

I. FINANCIAL HIGHLIGHTS

Government-wide financial analysis

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

- \$1,368 million represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets (invested in capital assets, net of related debt).
- \$106 million is available for the County's ongoing obligations related to programs with external restrictions (restricted net assets).
- \$92 million is available to fund County programs for citizens and debt obligations to creditors (unrestricted net assets).

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

- The \$1.8 million increase in net assets invested in capital assets, net of related debt, represents capital purchases less depreciation plus the retirement of related long-term debt. See further discussion of capital assets and long-term debt on pages 18-20.
- The \$7.6 million increase in restricted net assets represents the change in resources that are subject to external restrictions on their use, and is detailed in the government-wide financial analysis section on pages 7-8.
- The \$40.7 million decrease in unrestricted net assets is the change in resources available to fund County programs to citizens and debt obligations to creditors. This change is further discussed on page 9.

COUNTY OF MARIN

Management's Discussion and Analysis
Unaudited
For the Fiscal Year Ended June 30, 2009

Financial analysis of the County's funds

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

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

Capital assets and debt administration

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

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

II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

COUNTY OF MARIN

Management's Discussion and Analysis
Unaudited
For the Fiscal Year Ended June 30, 2009

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

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

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

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

Fund Financial Statements

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

The County's funds are divided into three categories:

- Governmental funds
- Proprietary funds
- Fiduciary funds

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

COUNTY OF MARIN

Management's Discussion and Analysis
Unaudited
For the Fiscal Year Ended June 30, 2009

requirements. The governmental funds' focus is narrower than that of the government-wide financial statements. To understand the long-term impact of the County's near-term financing decisions, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The reconciliations of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide financial statements facilitate the comparison between governmental funds and governmental activities.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Housing Authority and Marin Transit District, both considered major funds.

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

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

COUNTY OF MARIN

Management's Discussion and Analysis Unaudited For the Fiscal Year Ended June 30, 2009

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

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Budgetary comparison schedules for the major governmental funds are also included as supplementary information to demonstrate compliance with expenditure limits set by the governing board. Required Supplementary Information can be found on pages 70-73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Assets

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

Analysis of Net Assets

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

COUNTY OF MARIN

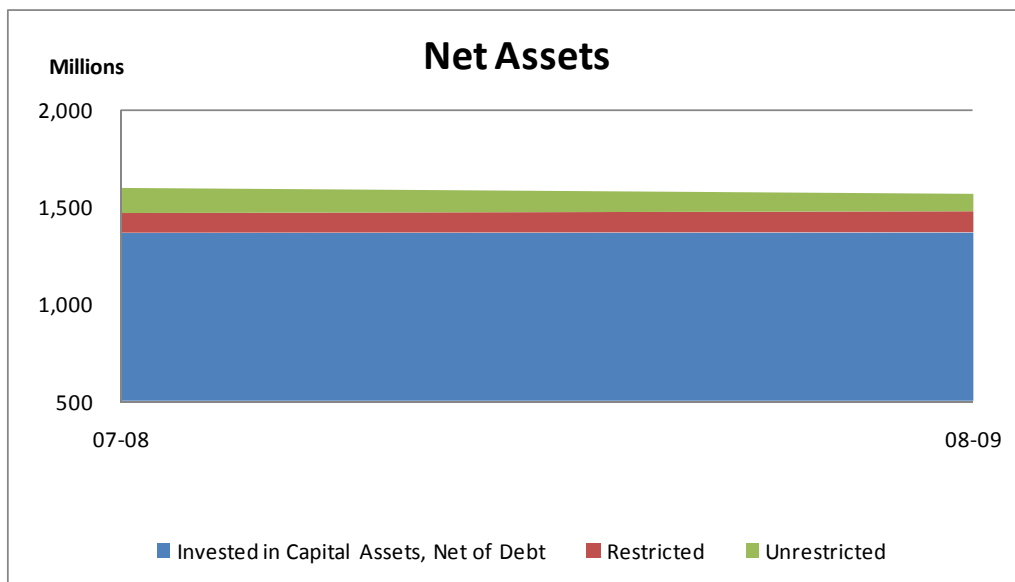
Management's Discussion and Analysis Unaudited For the Fiscal Year Ended June 30, 2009

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

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

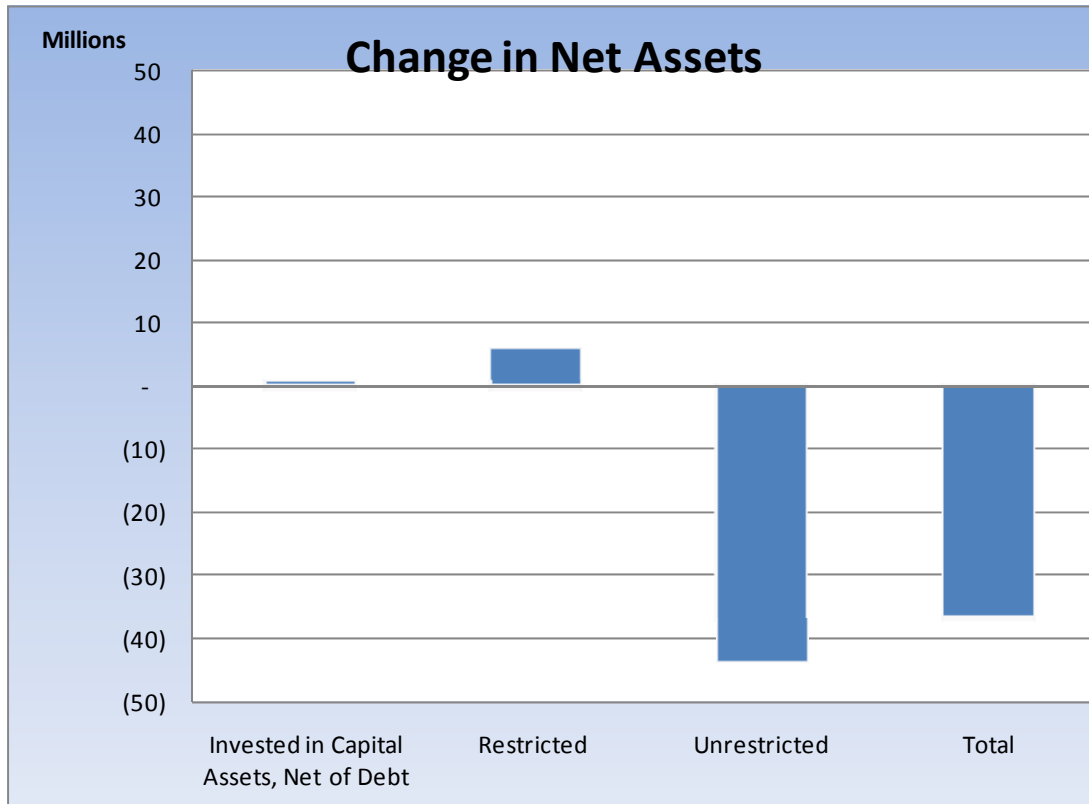
Restricted net assets: Representing resources that are subject to external restrictions on their uses, restricted net assets increased \$7.6 million, or 7.7%, to \$106 million principally due to County's additional commitment to enhance public protection service in the subsequent fiscal period.. At the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

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



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Management's Discussion and Analysis
Unaudited
For the Fiscal Year Ended June 30, 2009



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

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

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Management's Discussion and Analysis Unaudited For the Fiscal Year Ended June 30, 2009

Changes in Net Assets

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

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

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

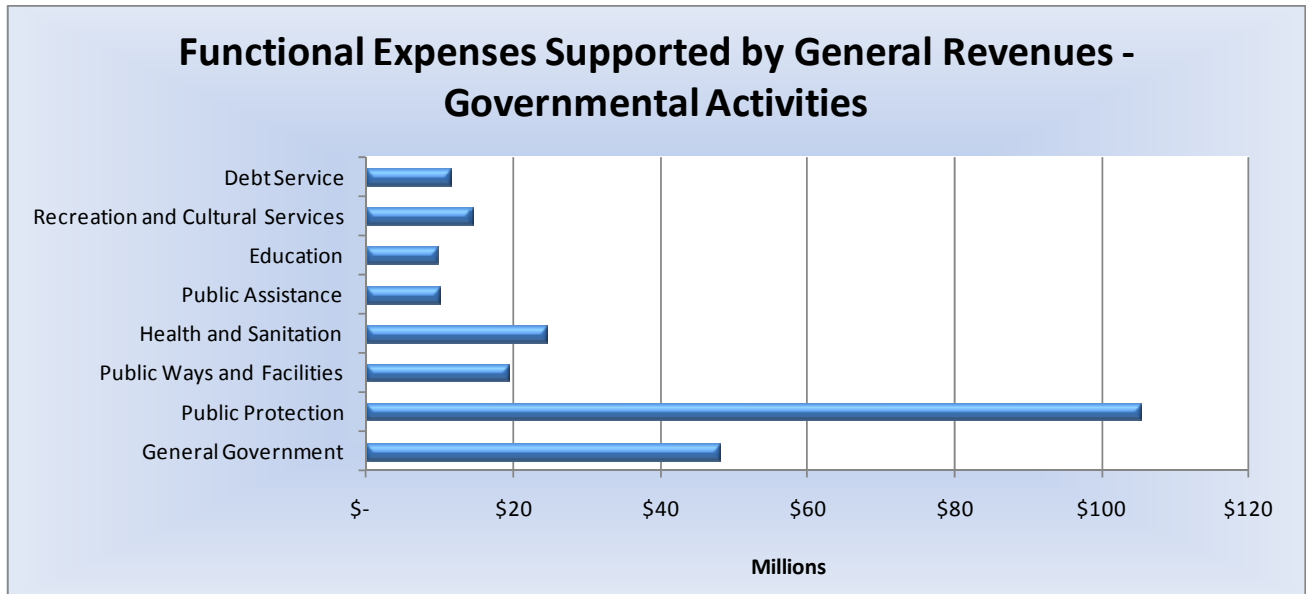
Governmental-activities and *business-activities* combined program revenues have increased \$6.6 million, or 2.1%, from the prior year, resulting from a \$5.6 million increase in *business-activities* and a \$1 million increase in *governmental activities*. On *governmental-activities* the public safety Prop 172 tax decreased \$2.2 million, or 11% from prior year's level, as a result of

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Management's Discussion and Analysis Unaudited For the Fiscal Year Ended June 30, 2009

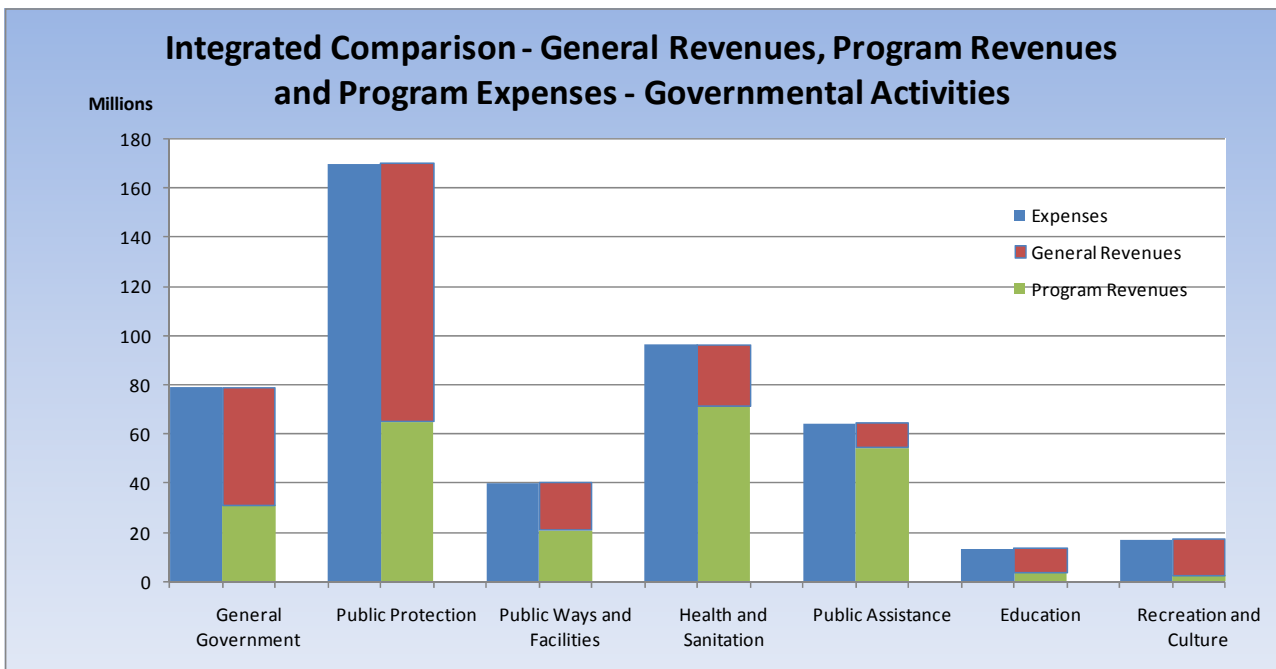
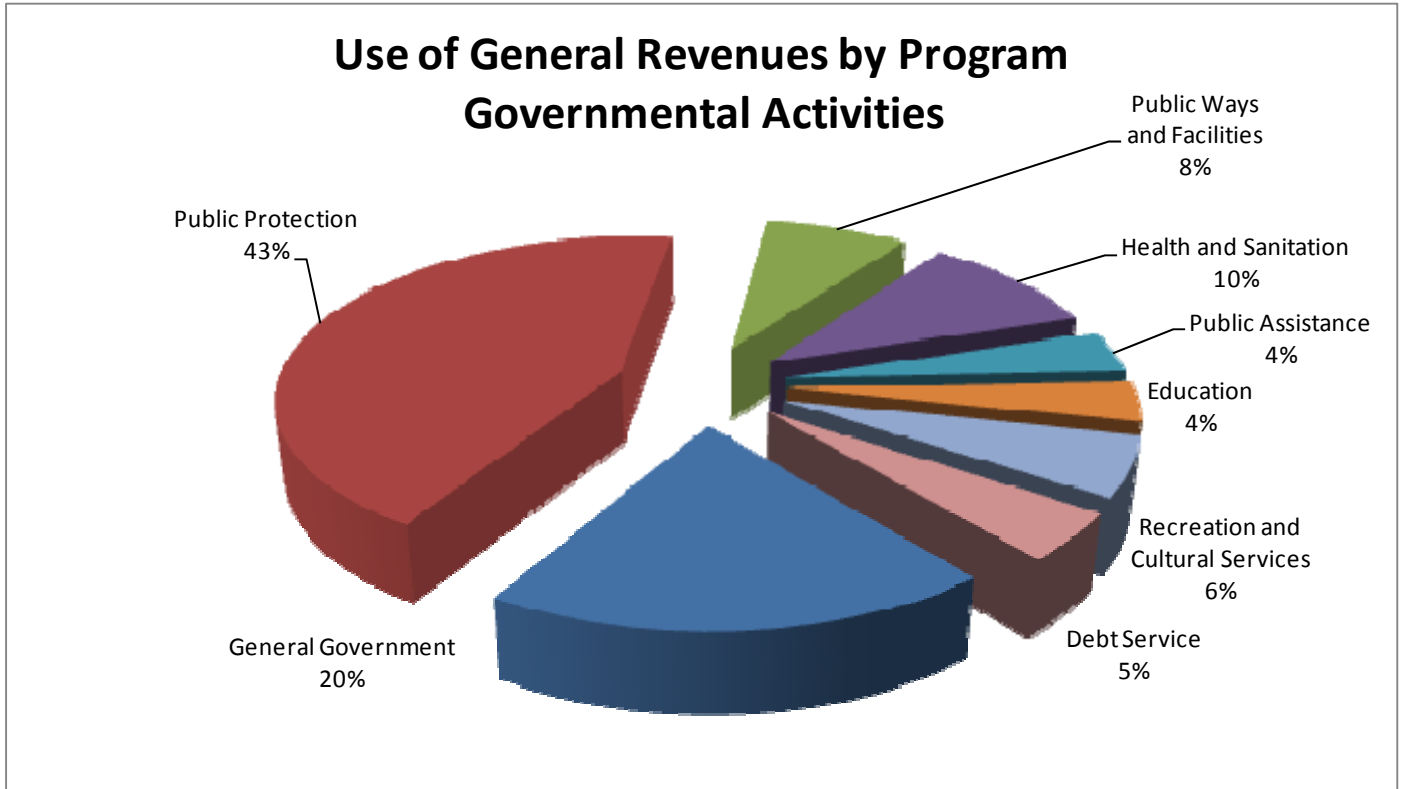
lower retail sales volume at local businesses. In addition capital grants and contributions from the state dropped \$5 million due to state's budget/fiscal difficulties while the operating grants slightly increased \$2.4 million. For *business-type activities* revenues for *charges for services* went up \$1.8 million as *Housing Authority* expanded its low-come housing rental program and the *Transit District* extended County's local bus services. At the same time proceeds generated from a special tax dedicated for local public transit usage injected more than \$3 million of funding for capital acquisition and operation into the economy.

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



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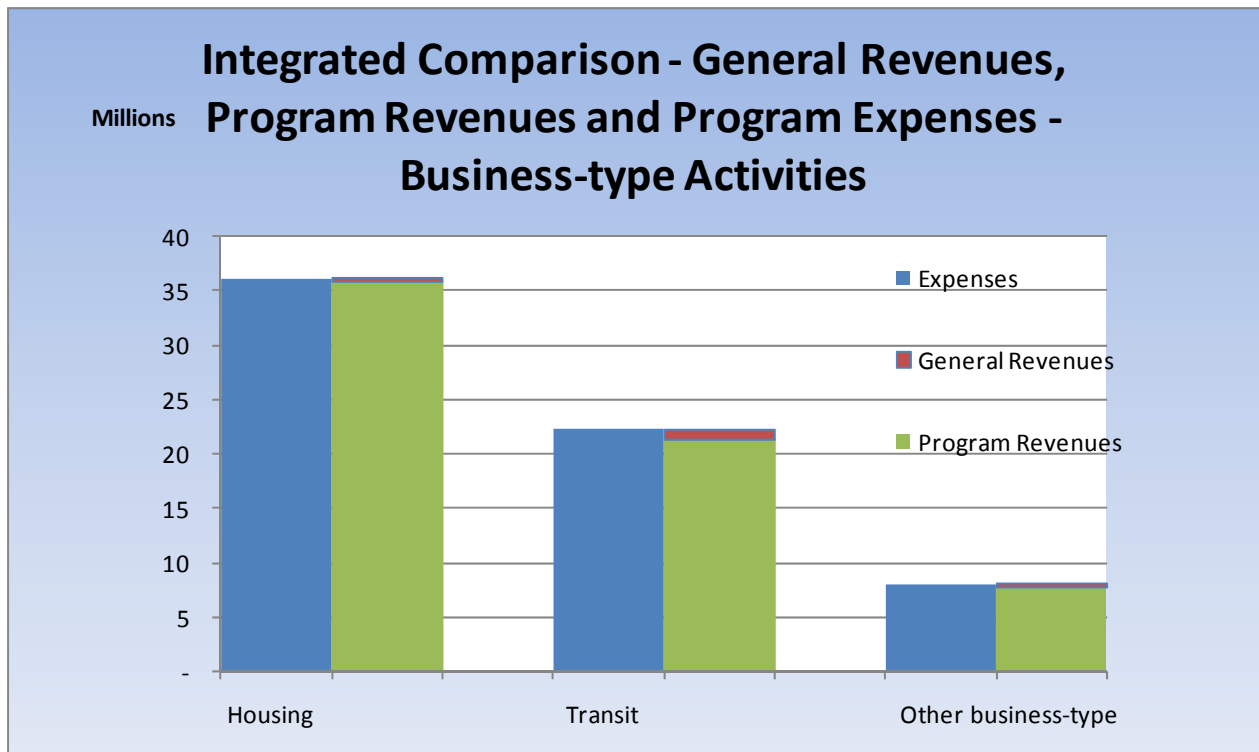
COUNTY OF MARIN

Management's Discussion and Analysis
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Analysis of Business-type Activities

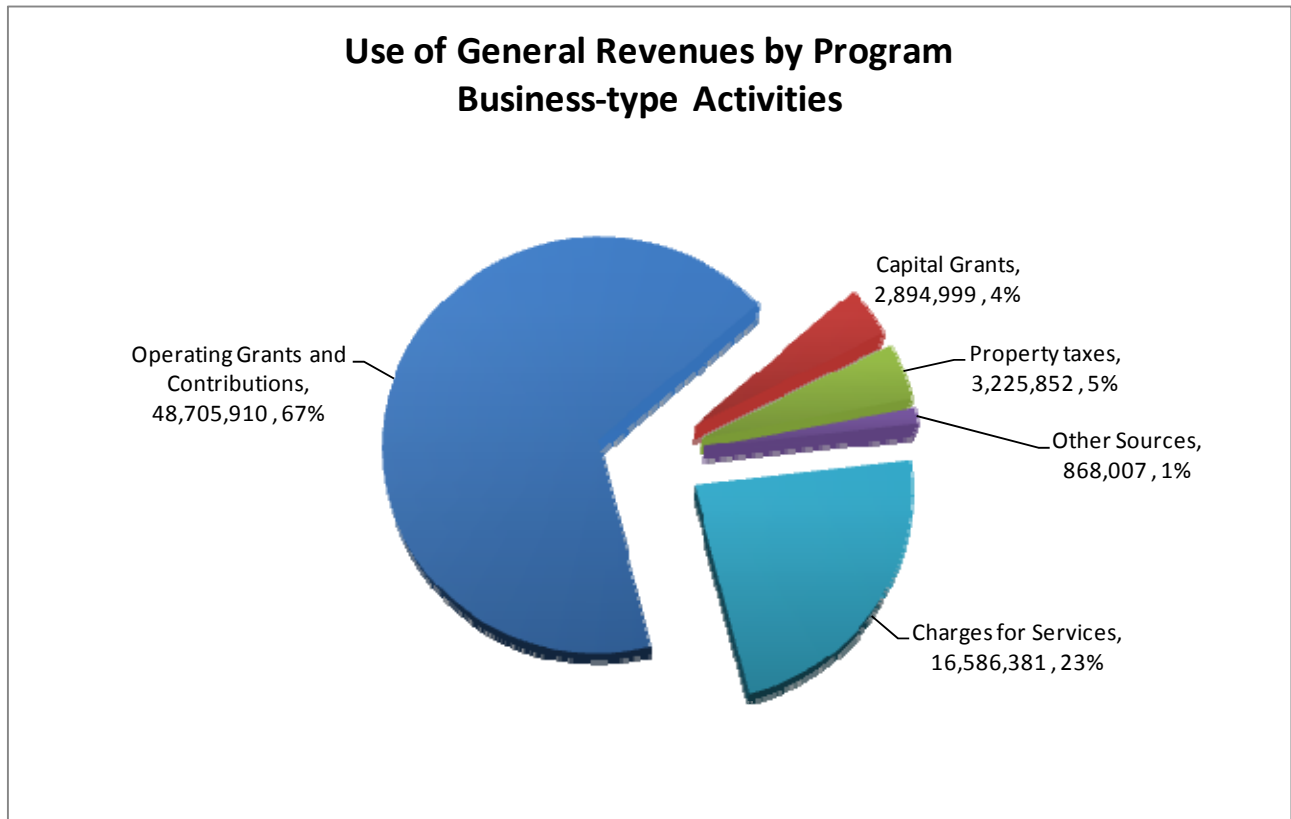
The net assets of business-type activities increased 11%, or \$5.3 million compared to prior year. Total revenues grew \$5.2 million, or 7.8% to \$71.9 million. Program revenues had a net growth of \$5.6 million due mostly to additional operating and capital grants received by *Marin Transit District*.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

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



COUNTY OF MARIN

Management's Discussion and Analysis
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III. FINANCIAL ANALYSIS OF FUNDS

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

Governmental Funds

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

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

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

COUNTY OF MARIN

Management's Discussion and Analysis
Unaudited
For the Fiscal Year Ended June 30, 2009

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

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

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

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

COUNTY OF MARIN

Management's Discussion and Analysis Unaudited For the Fiscal Year Ended June 30, 2009

Revenues:

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

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

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

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

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

COUNTY OF MARIN

Management's Discussion and Analysis Unaudited For the Fiscal Year Ended June 30, 2009

Expenditures:

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

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

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

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

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

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

COUNTY OF MARIN

Management's Discussion and Analysis Unaudited For the Fiscal Year Ended June 30, 2009

Capital Assets

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

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

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

COUNTY OF MARIN

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Unaudited
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The following table details the changes in capital assets:

Changes in Capital Assets (in thousands)

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

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

COUNTY OF MARIN

Management's Discussion and Analysis Unaudited For the Fiscal Year Ended June 30, 2009

Debt Administration

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

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

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

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

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

V. GENERAL FUND BUDGETARY HIGHLIGHTS

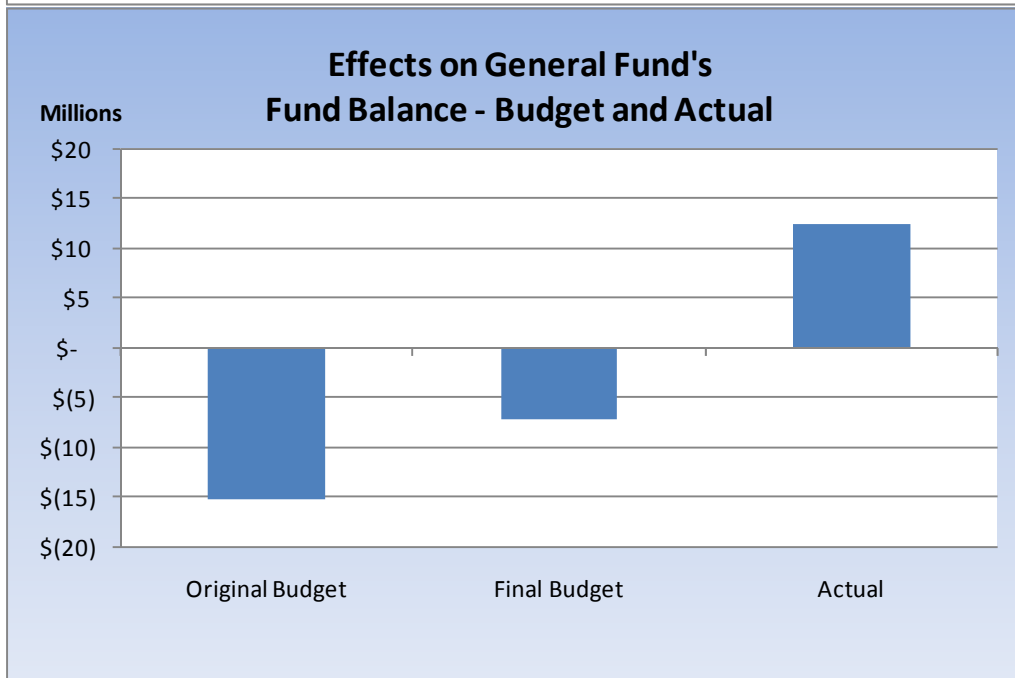
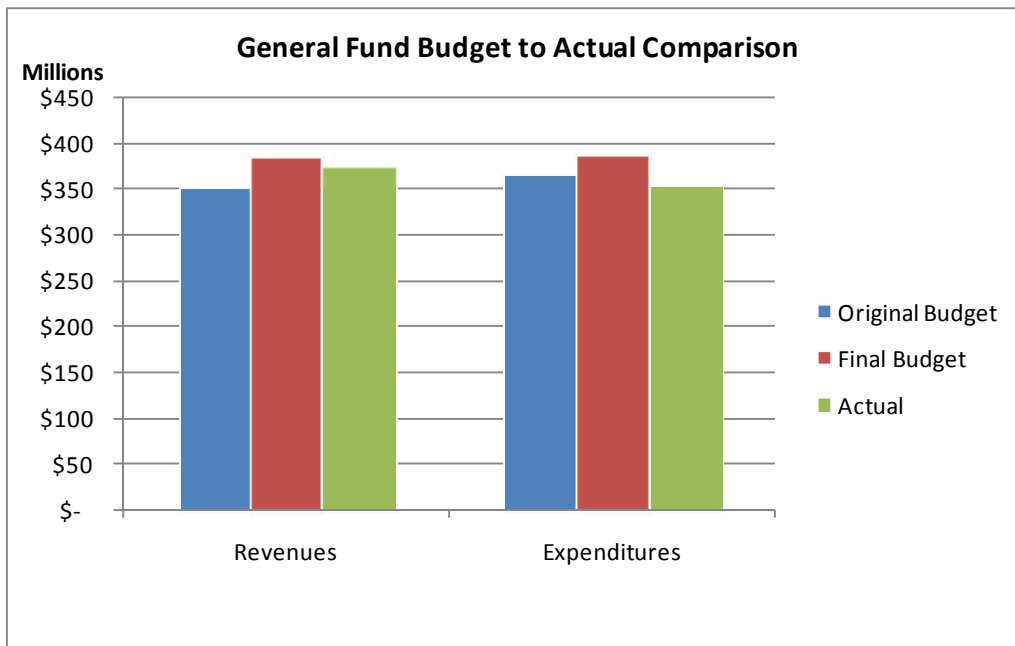
During 2009 actual resources received by the General Fund were less than budgeted by \$10.2 million and charges to appropriations were less than budgeted by \$29.7 million resulting in an increase of budgetary fund balance of \$19.5 million. The reduction in County spending was mainly due to less spending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

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

COUNTY OF MARIN

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



COUNTY OF MARIN

Management's Discussion and Analysis
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FLOOD CONTROL AND WATER CONSERVATION DISTRICTS BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS AND FY 2009-10 BUDGET

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

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

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

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

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

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

COUNTY OF MARIN

Management's Discussion and Analysis
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For the Fiscal Year Ended June 30, 2009

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

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

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

VII. REQUEST FOR INFORMATION

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

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

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

COUNTY OF MARIN

Statement of Net Assets June 30, 2009

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

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

COUNTY OF MARIN

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

Functions/Programs	Program Revenues			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 78,944,173	\$ 29,853,998	\$ 1,157,634	\$ --
Public protection	169,921,297	31,585,415	32,854,252	414,353
Public ways and facilities	40,003,824	2,178,173	8,387,738	10,253,389
Health and sanitation	96,157,874	2,446,430	69,091,361	76,909
Public assistance	64,310,157	783,822	53,510,861	--
Education	13,376,491	3,282,928	515,826	--
Recreation and cultural services	17,060,038	2,529,345	111,439	19,935
Debt Service:				
Interest and fiscal charges	11,312,313	--	--	--
Total governmental activities	<u>491,086,167</u>	<u>72,660,111</u>	<u>165,629,111</u>	<u>10,764,586</u>
Business-Type Activities:				
Housing Authority	36,119,347	3,880,406	32,259,021	795,202
Transit District	22,249,766	5,884,641	15,447,892	2,099,797
Other business-type activities	8,107,336	6,821,334	998,997	--
Total business-type activities	<u>66,476,449</u>	<u>16,586,381</u>	<u>48,705,910</u>	<u>2,894,999</u>
Total primary government	<u>\$ 557,562,616</u>	<u>\$ 89,246,492</u>	<u>\$ 214,335,021</u>	<u>\$ 13,659,585</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
\$ (47,932,541)	\$ --	\$ (47,932,541)
(105,067,277)	--	(105,067,277)
(19,184,524)	--	(19,184,524)
(24,543,174)	--	(24,543,174)
(10,015,474)	--	(10,015,474)
(9,577,737)	--	(9,577,737)
(14,399,319)	--	(14,399,319)
<u>(11,312,313)</u>	<u>--</u>	<u>(11,312,313)</u>
<u>(242,032,359)</u>	<u>--</u>	<u>(242,032,359)</u>
--	815,282	815,282
--	1,182,564	1,182,564
--	<u>(287,005)</u>	<u>(287,005)</u>
<u>--</u>	<u>1,710,841</u>	<u>1,710,841</u>
<u>(242,032,359)</u>	<u>1,710,841</u>	<u>(240,321,518)</u>
183,657,725	3,225,852	186,883,577
2,627,825	--	2,627,825
3,952,498	--	3,952,498
9,082,873	803,328	9,886,201
3,131,196	--	3,131,196
2,962,336	64,679	3,027,015
<u>205,414,453</u>	<u>4,093,859</u>	<u>209,508,312</u>
(36,617,906)	5,804,700	(30,813,206)
1,550,364,642	46,939,598	1,597,304,240
--	<u>(513,197)</u>	<u>(513,197)</u>
<u>\$ 1,513,746,736</u>	<u>\$ 52,231,101</u>	<u>\$ 1,565,977,837</u>

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

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF MARIN

Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>	<u>Flood Control Zones</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and investments in County pool	\$ 156,200,059	\$ 17,107,560	\$ 90,352,848	\$ 263,660,467
Cash with fiscal agent	--	--	7,081,801	7,081,801
Receivables:				
Taxes	886,834	--	--	886,834
Accounts	15,684,523	--	532,955	16,217,478
Notes receivable	6,427,448	--	6,911,660	13,339,108
Employee loans receivable	1,060,461	--	--	1,060,461
Due from other funds	686,667	--	--	686,667
Due from other governmental agencies	9,034,378	16,972	1,934,171	10,985,521
Advances to other funds	2,246,667	--	45,400	2,292,067
Prepaid expenses	129,540	--	--	129,540
Inventory of supplies	479,738	--	104,506	584,244
	<u>\$ 192,836,315</u>	<u>\$ 17,124,532</u>	<u>\$106,963,341</u>	<u>\$ 316,924,188</u>
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 6,274,402	\$ 137,965	\$ 1,874,764	\$ 8,287,131
Accrued salaries and benefits	8,208,086	--	861,432	9,069,518
Due to other funds	--	686,667	--	686,667
Advances payable	--	2,246,667	45,400	2,292,067
Deferred revenue	4,464,047	--	--	4,464,047
Other liabilities	2,385,023	--	198,479	2,583,502
Total liabilities	<u>21,331,558</u>	<u>3,071,299</u>	<u>2,980,075</u>	<u>27,382,932</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	19,005,160	2,224,807	7,417,178	28,647,145
Prepaid expenses	129,540	--	--	129,540
Advances to other funds	2,246,667	--	45,400	2,292,067
Inventories	479,738	--	104,506	584,244
Notes receivable	6,427,448	--	6,911,660	13,339,108
Unreserved:				
Designated:				
Subsequent expenditures	71,091,384	--	2,825,061	73,916,445
Self-insurance	18,400,000	--	--	18,400,000
Retirement rate stabilization	4,000,000	--	--	4,000,000
Budget uncertainties	19,000,000	--	--	19,000,000
Debt service	--	--	1,660,113	1,660,113
Undesignated				
Reported in the General Fund	30,724,820	--	--	30,724,820
Reported in Special Revenue Funds	--	11,828,426	61,455,240	73,283,666
Reported in Capital Projects Funds	--	--	11,865,390	11,865,390
Reported in Debt Service Funds	--	--	11,698,718	11,698,718
Total fund balances	<u>171,504,757</u>	<u>14,053,233</u>	<u>103,983,266</u>	<u>289,541,256</u>
	<u>\$ 192,836,315</u>	<u>\$ 17,124,532</u>	<u>\$106,963,341</u>	<u>\$ 316,924,188</u>
Total liabilities and fund balances	<u>\$ 192,836,315</u>	<u>\$ 17,124,532</u>	<u>\$106,963,341</u>	<u>\$ 316,924,188</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, 2009

Fund Balance - total governmental funds (page 27) \$ 289,541,256

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the governmental funds. These assets consist of:

Land	1,229,720,577	
Construction in progress	8,324,116	
Infrastructure, net of accumulated depreciation	62,159,408	
Buildings and improvements, net of accumulated depreciation	115,936,641	
Equipment, net of accumulated depreciation	<u>10,563,959</u>	
Total capital assets		1,426,704,701

Long-term assets used in Governmental Activities, such as the net pension asset
and deferred fiscal charges, are not current financial resources and, therefore,
are not reported in the Governmental Funds. 88,264,285

Deferred revenue represents amounts that are not available to fund current
expenditures and, therefore, are not reported in the Governmental Funds. 2,416,613

Internal service funds are used by the County to charge the cost of worker's
compensation insurance to individual funds. Net assets and liabilities of the
internal service funds are included in governmental activities in the statement
of net assets. 4,906,456

Long-term liabilities applicable to the County's governmental activities are not
due and payable in the current period and accordingly are not reported as fund
liabilities. Interest on long-term debt is not accrued in governmental funds, but
rather is recognized as an expenditure when due. All liabilities are reported in the
statement of net assets. Balances as of June 30 are:

Certificates of participation, bonds and loans payable	(211,049,690)	
Capital leases	(882,165)	
Accrued interest on long-term debt	(4,134,003)	
Compensated absences	(13,669,168)	
Other post employment benefits payable	(63,179,549)	
Claims and judgments	<u>(5,172,000)</u>	
Total long-term liabilities		<u>(298,086,575)</u>

Net assets of governmental activities (page 24) \$ 1,513,746,736

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

COUNTY OF MARIN

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

	General	Flood Control Zones	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 162,154,384	\$ 4,592,893	\$ 23,992,400	\$ 190,739,677
Licenses and permits	4,781,952	--	4,498,399	9,280,351
Intergovernmental revenues	147,990,527	68,042	28,135,126	176,193,695
Charges for services	41,670,573	2,700,273	10,215,732	54,586,578
Fines and forfeits	8,517,081	--	1,041,464	9,558,545
From use of money and property	6,444,286	304,221	2,334,366	9,082,873
Miscellaneous	2,485,828	10,307	3,597,397	6,093,532
Total revenues	<u>374,044,631</u>	<u>7,675,736</u>	<u>73,814,884</u>	<u>455,535,251</u>
Expenditures:				
Current:				
General government	57,775,444	--	4,275,527	62,050,971
Public protection	129,637,368	7,316,229	16,719,904	153,673,501
Public ways and facilities	13,083,995	134,366	14,568,921	27,787,282
Health and sanitation	86,159,133	--	4,256,881	90,416,014
Public assistance	55,796,259	--	3,875,164	59,671,423
Education	871,430	--	11,717,034	12,588,464
Recreation and cultural services	8,055,935	--	7,059,508	15,115,443
Capital outlay	2,696,936	12,534	22,602,827	25,312,297
Debt Service:				
Principal	42,249	--	4,615,000	4,657,249
Interest	29,856	25,013	10,172,328	10,227,197
Total expenditures	<u>354,148,605</u>	<u>7,488,142</u>	<u>99,863,094</u>	<u>461,499,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,896,026</u>	<u>187,594</u>	<u>(26,048,210)</u>	<u>(5,964,590)</u>
Other Financing Sources (Uses):				
Issuance of debt	857,758	--	--	857,758
Transfers in	5,044,946	--	16,778,844	21,823,790
Transfers out	(13,413,830)	--	(8,409,960)	(21,823,790)
Total other financing sources (uses)	<u>(7,511,126)</u>	<u>--</u>	<u>8,368,884</u>	<u>857,758</u>
Net change in fund balances	12,384,900	187,594	(17,679,326)	(5,106,832)
Fund balances, beginning of year	<u>159,119,857</u>	<u>13,865,639</u>	<u>121,662,592</u>	<u>294,648,088</u>
Fund balances, end of year	<u>\$ 171,504,757</u>	<u>\$ 14,053,233</u>	<u>\$ 103,983,266</u>	<u>\$ 289,541,256</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, 2009

Net change to fund balance - total governmental funds (page 29)	\$	(5,106,832)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 25,374,660	
Less: current year depreciation	<u>(20,342,344)</u>	5,032,316
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Changes in deferred revenue		(1,266,990)
<p>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.</p>		
Amortization of bond discount	(62,193)	
Amortization of deferred fiscal charges	(140,194)	
Amortization of loss on refunding	(146,574)	
Accretion of loan payable	(784,142)	
Debt issued	(553,345)	
Repayment of bonds, certificates of participation, and notes	<u>4,657,249</u>	
Net adjustment		2,970,801
<p>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.</p>		
Repayment of capital lease obligations		334,831
Inception of capital lease		(304,413)
<p>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</p>		
Change in compensated absences	(791,975)	
Amortization of net pension asset	(4,700,210)	
Other post employment benefits liability	(31,802,549)	
Change in claims liability	(833,000)	
Accrued interest on long-term debt	<u>47,987</u>	
Net adjustment		(38,079,747)
<p>Internal service funds are used by the County to charge the cost of worker's compensation insurance to individual funds. The net revenue (expense) of internal service fund is reported with governmental activities.</p>		
		<u>(197,872)</u>
Change in net assets of governmental activities (page 26)	\$	<u><u>(36,617,906)</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, 2009

	Business-type Activities				Governmental
	Housing Authority	Transit District	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments in County pool	\$ --	\$ 7,116,659	\$ 1,926,942	\$ 9,043,601	\$ 23,250,667
Cash with fiscal agent	--		--	--	289,155
Other cash	2,505,891	--	--	2,505,891	--
Receivables:					
Taxes	--	--	--	--	--
Accounts	328,798	--	--	328,798	--
Prepaid items and other assets	165,355	--	974,995	1,140,350	--
Deposits with others	--	--	92,225	92,225	--
Short-term notes receivable	5,575		--	5,575	--
Due from other governments	571,162	4,792,141	--	5,363,303	--
Total current assets	<u>3,576,781</u>	<u>11,908,800</u>	<u>2,994,162</u>	<u>18,479,743</u>	<u>23,539,822</u>
Noncurrent Assets:					
Restricted cash	7,332,976		--	7,332,976	--
Long-term notes receivable	3,894,909		--	3,894,909	--
Capital assets:					
Nondepreciable	5,063,073	--	4,271,241	9,334,314	--
Depreciable, net	18,975,383	1,709,603	3,594,985	24,279,971	--
Total noncurrent assets	<u>35,266,341</u>	<u>1,709,603</u>	<u>7,866,226</u>	<u>44,842,170</u>	<u>--</u>
Total assets	<u>\$ 38,843,122</u>	<u>\$ 13,618,403</u>	<u>\$ 10,860,388</u>	<u>\$ 63,321,913</u>	<u>\$ 23,539,822</u>
LIABILITIES					
Current Liabilities:					
Vouchers and accounts payable	\$ 360,420	\$ 1,678,679	\$ 205,444	\$ 2,244,543	\$ 20,366
Accrued salaries and benefits	63,065	--	7,032	70,097	--
Due to other funds	306,281	--	--	306,281	--
Due to other agencies	471,297		8,814	480,111	--
Deferred revenues	193,776	783,979	247,172	1,224,927	--
Compensated absences	48,483	--	5,920	54,403	--
Mortgages payable	152,615		--	152,615	--
Total current liabilities	<u>1,595,937</u>	<u>2,462,658</u>	<u>474,382</u>	<u>4,532,977</u>	<u>20,366</u>
Long-Term Liabilities:					
Security deposits and escrows payable (payable from restricted assets:)	637,258	--	--	637,258	--
Compensated absences	145,442	18,183	15,819	179,444	--
Deferred interest due on long-term debt	786,747	--	--	786,747	--
Long-term debt	4,954,386	--	--	4,954,386	--
Estimated claims	--	--	--	--	18,613,000
Total noncurrent liabilities	<u>6,523,833</u>	<u>18,183</u>	<u>15,819</u>	<u>6,557,835</u>	<u>18,613,000</u>
Total liabilities	<u>8,119,770</u>	<u>2,480,841</u>	<u>490,201</u>	<u>11,090,812</u>	<u>18,633,366</u>
NET ASSETS					
Invested in capital assets, net of related debt	17,838,427	1,709,603	7,866,226	27,414,256	--
Restricted	9,883,350	--	--	9,883,350	--
Unrestricted	3,001,575	9,427,959	2,503,961	14,933,495	4,906,456
Total net assets	<u>30,723,352</u>	<u>11,137,562</u>	<u>10,370,187</u>	<u>52,231,101</u>	<u>4,906,456</u>
Total liabilities and net assets	<u>\$ 38,843,122</u>	<u>\$ 13,618,403</u>	<u>\$ 10,860,388</u>	<u>\$ 63,321,913</u>	<u>\$ 23,539,822</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, 2009

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

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

COUNTY OF MARIN

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

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

continued

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

COUNTY OF MARIN

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

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

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

COUNTY OF MARIN

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

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

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

COUNTY OF MARIN

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

Additions:

Contributions to investment pool	\$ 990,663,154
Total additions	<u>990,663,154</u>

Deductions:

Distributions from investment pool	<u>1,007,376,710</u>
Total deductions	<u>1,007,376,710</u>

Change in net assets	(16,713,556)
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Net assets, beginning	<u>471,833,708</u>
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Net assets, ending	<u><u>\$ 455,120,152</u></u>
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The accompanying notes are an integral part of these financial statements.

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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, 2009

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

A. **Reporting Entity** (continued)

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

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, 2008.

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

A. **Reporting Entity** (continued)

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

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

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

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

B. **Basis of Presentation**

Government-Wide Financial Statements

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

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

Government-Wide Financial Statements (continued)

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

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

Fund Financial Statements

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

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

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.
- The *Flood Control and Water Conservation Districts Fund* is used to account for the activities of various special districts whose primary purpose is flood control and water conservation.

The County reports the following major enterprise funds:

- The *Housing Authority of the County of Marin* accounts for the activities of the Authority, a blended component unit of the County. The Authority provides housing assistance to low and moderate income residents of Marin County.
- The *Transit District Fund* accounts for activities related to the provision of transit services within the County.

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

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

Fund Financial Statements (continued)

The County reports the following additional fund types:

- *Internal Service Funds* are used to account for activities related to the County's workers compensation self-insurance plan provided to other departments or agencies of the County on a cost reimbursement basis.
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

C. **Basis of Accounting**

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

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

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

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

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

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

E. **Cash and Cash Equivalents**

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

F. **Receivables**

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

G. **Inventories**

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

Note 1: Summary of Significant Accounting Policies (continued)

H. **Prepaid Expenses**

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

I. **Property Tax Revenue**

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

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

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

J. **Long-Term Receivables**

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

K. Capital Assets

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

The estimated useful lives are as follows:

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

L. Compensated Absences

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

M. Inter-fund Transactions

Inter-fund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

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

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

N. **Estimates**

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

Note 2: **Cash and Investments**

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

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

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

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

Cash and Investments in County Pool

Cash	\$ 12,251,995
Investments	775,374,950
Specific investment in treasury	1,379,264
	789,006,209
Less outstanding warrants and other reconciling items	(24,530,630)
Total Cash and Investments in County Pool	764,475,579

Cash and Investments Outside County Pool

Cash on hand	300
Other deposits	3,824,592
Investments of blended component unit	8,416,365
Investments with fiscal agent	14,245,252
	\$ 790,962,088

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

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

Investments

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

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

Interest Rate Risk

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

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

Credit Risk

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

Concentration of Credit Risk

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

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

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

Custodial Credit Risk

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

Local Agency Investment Fund

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

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

Restricted cash

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

County Investment pool Condensed Financial Statements

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

Statement of Net Assets

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

Statement of Changes in Net Assets

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

Note 3: **Notes Receivable**

Notes receivable consists of following activities:

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Notes</u> <u>Issued</u>	<u>Repayments</u>	<u>Loans</u> <u>Forgiven</u>	<u>Balance</u> <u>June 30, 2009</u>
Other Governmental Funds:					
County's Redevelopment Agency has provided long-term funding to numerous local-based non-profit organizations for affordable housing construction and rehabilitation. These notes are due at various time frames through 2064. Given the long-term nature of these loans, fund balance reserves have been set-aside for the full amount of the loans.	6,738,879	376,335	203,554	--	6,911,660
Total Governmental Activities	<u>\$ 9,033,019</u>	<u>\$ 5,606,335</u>	<u>\$ 1,300,246</u>	<u>\$ --</u>	<u>\$ 13,339,108</u>
	<u>Balance</u> <u>January 1, 2008</u>	<u>Notes</u> <u>Issued</u>	<u>Repayments</u>	<u>Loans</u> <u>Forgiven</u>	<u>Balance</u> <u>December 31, 2008</u>
Business-Type Activities:					
County's component unit - Marin Housing Authority - manages a portfolio of lending programs to assist qualified homeowners and renters with rehabilitation expenses, down payments on home purchases and rental security deposits.	3,995,371	335,822	(430,484)	(225)	3,900,484
	<u>\$ 3,995,371</u>	<u>\$ 335,822</u>	<u>\$ (430,484)</u>	<u>\$ (225)</u>	<u>\$ 3,900,484</u>

Note 4: **Deferred Revenue**

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 5: **Interfund Transactions**

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

Due to other funds

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

Advances to other funds

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

Transfers

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 6: **Capital Assets**

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

Depreciation

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

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

Business-type activities:

Housing Authority	\$ 1,228,464
County Fair	73,745
Airport	106,991
Transit	357,798
Total Depreciation Expense – Business-Type Activities:	<u>\$ 1,766,998</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 above the \$1,000,000 retention through a policy with Arch Insurance Company, (AM Best Rate A XV) with statutory limits (optimum no limit coverage per claim). The independent actuarial analysis (August 2009), concludes that given program assets, as of June 30, 2009, the program is funded between 65 and 70% confidence level.

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

Workers' Compensation (continued)

Worker's Compensation

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

General Liability

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

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

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

General Liability

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 8: Long-Term Obligations

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

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

* Accretion expense on loan

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

Capital Lease Obligation

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

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

Operating Lease Obligation

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

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

Prior Year Defeasance of Debt

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

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

A. Fund Balances

The County has “reserved” fund balances as follows:

- *Reserve for Encumbrances* was created to represent encumbrances outstanding at the end of the year based on purchase order and contracts signed by the County but not yet completed as of the close of the fiscal year.
- *Reserve for Prepaid Expenses* represents expenses paid in the financial statement year for services not yet performed.
- *Reserve for Advances to other funds* represents a portion of the fund balance that is not available for expenditure because County made long-term loan to certain Community Services Districts for local capital projects.

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

A. **Fund Balances**

- *Reserve for Inventories* represents a portion of the fund balance that is not available for expenditure because the County expects to use these resources within the next budgetary period.
- *Reserve for Notes receivables* represents a portion of fund balance that is not available for expenditure because the collections of such receivables are set at future fiscal periods.
- *Designations of Unreserved Fund Balance* are created to indicate tentative management plans for financial resource utilization in a future period, such as for subsequent fiscal period expenditures, general contingencies or service of debt. Such plans or intent are subject to change and might never be legally authorized or result in expenditures.
- *Undesignated Unreserved Fund Balance* indicates available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., designations).

B. **Net Assets**

- *Invested in capital assets, net of related debt* is the amount representing capital assets, net of accumulated depreciation, and reduced by the outstanding bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted net assets* is the amount representing those net assets whose usage are subject to limitation and constraint imposed by either external parties (such as creditors, grantors, other governments) or law through constitutional provisions / enabling legislation.
- *Unrestricted net assets* is the amount representing portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

Note 10: **Employees' Retirement Plan**

Plan Description

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

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

Funding Policy

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

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

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

Annual Pension Cost

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

Three-Year Trend Information (in thousands)

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

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

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

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

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

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

A. Plan Description

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

A. **Plan Description** (continued)

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

B. **Funding Policy**

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

C. Annual Other Postemployment Benefit Cost and Net Obligation

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

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

Annual required contribution	\$ 41,265,000
Interest on net OPEB obligation	1,568,850
Adjustment to annual required contribution	--
Annual OPEB cost (expense)	<u>42,833,850</u>
Benefit payments made (adjusted for mid-year payment)	<u>(11,031,301)</u>
Increase in net OPEB obligation	31,802,549
Net OPEB obligation - beginning of year	<u>31,377,000</u>
Net OPEB obligation - end of year	<u><u>\$ 63,179,549</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
2009	\$ 42,833,850	25.75%	\$ 63,179,549
2008	41,265,000	24.00%	31,377,000

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

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

D. Funded Status

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

Actuarial Accrued Liability (AAL)	\$ 378,183,000
Actuarial Value of Plan Assets	--
Unfunded Actuarial Accrued Liability (UAAL)	<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%

E. Actuarial Methods and Assumptions

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

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

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

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

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

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

Note 12: **Commitments and Contingent Liabilities**

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

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

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

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2009

Note 14: **Excess Expenditures Over Appropriations**

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

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

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

Note 15: **Deficit Fund Balance**

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

Note 16: **New Accounting Pronouncements**

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MARIN

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

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

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

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

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

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

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

- 1) This information is intended to help users assess the County's OPEB Plan's statutes on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.
- 2) Multi-year trend information is not available as this is the first valuation under GASB 45. In the future, information from the three most recent valuations will be presented.

COUNTY OF MARIN

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 159,119,857	\$ 159,119,857	\$ 159,119,857	\$ --
Resources (inflows):				
Taxes	150,799,147	162,534,849	162,154,384	(380,465)
Licenses and permits	5,437,041	5,719,692	4,781,952	(937,740)
Intergovernmental revenues	138,646,073	155,528,817	147,990,527	(7,538,290)
Charges for services	40,992,204	48,129,025	41,670,573	(6,458,452)
Fines and forfeits	4,197,475	6,579,800	8,517,081	1,937,281
From use of money and property	6,116,579	5,388,270	6,444,286	1,056,016
Miscellaneous	5,935,199	2,553,679	2,485,828	(67,851)
Other financing sources	--	3,769,163	5,902,704	2,133,541
Amounts available for appropriation	<u>352,123,718</u>	<u>390,203,295</u>	<u>379,947,335</u>	<u>(10,255,960)</u>
Charges to appropriations (outflows):				
Current:				
General government	82,855,866	75,613,321	57,775,444	17,837,877
Public protection	128,459,551	139,438,970	129,637,368	9,801,602
Public ways and facilities	2,588,434	11,109,820	13,083,995	(1,974,175)
Health and sanitation	86,108,136	93,396,929	86,159,133	7,237,796
Public assistance	58,229,894	59,604,464	55,796,259	3,808,205
Education	892,014	991,062	871,430	119,632
Culture and recreation	8,268,235	8,660,316	8,055,935	604,381
Capital outlay	--	--	2,696,936	(2,696,936)
Debt Service				
Principal	--	--	42,249	(42,249)
Interest	--	--	29,856	(29,856)
Other financing uses	--	8,477,252	13,413,830	(4,936,578)
Total charges to appropriations	<u>367,402,130</u>	<u>397,292,134</u>	<u>367,562,435</u>	<u>29,729,699</u>
Budgetary fund balances, June 30	<u>\$ 143,841,445</u>	<u>\$ 152,031,018</u>	<u>\$ 171,504,757</u>	<u>\$ 19,473,739</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement				\$ 379,947,335
Differences - budget to GAAP:				
Transfers from other funds and issuance of new debt are inflows of budgetary resources but are not revenues for financial reporting purposes.				<u>(5,902,704)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 374,044,631</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 367,562,435
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.				<u>(13,413,830)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 354,148,605</u>

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

COUNTY OF MARIN

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

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

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

COUNTY OF MARIN

Note to Required Supplementary Information For the Fiscal Year Ended June 30, 2009

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.