# COUNTY OF MARIN

## ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by: Department of Finance

**COUNTY OF MARIN**
**ANNUAL FINANCIAL REPORT**
**For the Fiscal Year Ended June 30, 2010**

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GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Marin, California, as of and for the year ended June 30, 2010, 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, 2010:

| Opinion Unit | Assets | Revenues/ Additions |
|---|---|---|
| Governmental Activities | 0.11% | 0.36% |
| Business-Type Activities | 83.01% | 91.90% |
| Aggregate Remaining Fund Information | 1.34% | 1.85% |

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

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


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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Marin, California, as of June 30, 2010, 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 February 16, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Gallina LLP

Roseville, California
February 16, 2011

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
Unaudited
For the Fiscal Year Ended June 30, 2010

As management of the County of Marin, California, 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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which immediately follow this section.

## I. FINANCIAL HIGHLIGHTS

### Government-wide financial analysis

- At June 30, 2010, the assets of the County, $1,924.5 million, exceeded its liabilities by $1,557.4 million. Of this amount, $91.7 million unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors, $113.3 is restricted for functional programs with external constraint, debt service, and others; and $1,352.2 million is invested in capital assets, net of related debt.
- The County's total net assets decreased by $8.6 million during the current fiscal year. For the current year the County's program revenues covered expenses of the primary government and business activities except for $213.1 million and $5.8 million respectively or $218.9 million in total. General government revenues of the County totaled $210.3 million which results in a net asset reduction of $8.6 million.
- Business-type activities posted net program losses of $5.8 million before general revenues, contributions and transfers from other funds. In the prior year, the business activities had net revenues of $1.7 million.

### Capital assets and debt administration

- The County's capital assets, net of accumulated depreciation, decreased $19.1 million to $1,441.2 million. This decrease is due mainly to the accumulated depreciation of existing capital assets and minor acquisitions of new ones.
- The County's total outstanding balance on long-term debt (e.g. bonds, loans, certificates of participation, and capital leases) decreased $3.1 million, principally due to scheduled amortized payments.

### Governmental funds financial analysis

- At June 30, 2010, the County's governmental funds reported combined fund balances of $324.7 million, an increase of $35.1 million compared to prior year. Of this amount, approximately 85%, or $276.3 million is unreserved and is available to meet the County's current and future needs.

- At the end of the fiscal year, unreserved fund balance of the general fund was $156.1 million, or 44.0% of total general fund expenditures.

## II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

In addition to these basic financial statements, this report also includes the Required Supplementary Information on pages 70 – 73.

### Government-wide Financial Statements

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

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes, and earned but unused vacation leave).

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

Component units are included in the financial statements and are legally separate entities for which the County is financially accountable, and 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 22 – 24 of this report display the government-wide financial statements.

## Fund Financial Statements

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

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

Because the governmental funds' focus is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

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

Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General Fund and the Flood Control and Water Conservation Districts which are considered to be major funds. Data from the remaining other governmental funds are combined into a single, aggregated presentation.

A budgetary comparison schedule has been provided for the General Fund and the Flood Control Zone District fund to demonstrate compliance with the budget and can be located in the required supplementary section of the report.

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

**Proprietary funds –** The County maintains two different types of proprietary funds: enterprise 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. Data for the other proprietary funds are combined into a single, aggregated presentation. The County has one internal service funds, presented in a single presentation in the governmental activities of the proprietary funds.

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

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

Pages 33 – 34 of this report display the fiduciary funds financial statements.

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

Pages 35 – 69 of this report display the notes to the financial statements.

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

Pages 70 – 72 of this report display the Required Supplementary Information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

In accordance with changes in governmental accounting standards, the County applied Governmental Accounting Standards Board (GASB) Statement No. 34 to these financial statements. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $1,557.4 million as of June 30, 2010. Further detail is provided in the table below.

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

| | Governmental Activities | | Business-type Activities | | Total | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | Dollar Change | Percent Change |
| **Assets:** | | | | | | | | |
| Current and other assets | $ 453,953 | $ 425,750 | $ 29,309 | $ 29,708 | $ 483,262 | $ 455,458 | $ 27,804 | 6.1% |
| Capital assets, net | 1,406,847 | 1,426,705 | 34,380 | 33,614 | 1,441,227 | 1,460,319 | (19,092) | -1.3% |
| Total assets | 1,860,800 | 1,852,455 | 63,689 | 63,322 | 1,924,489 | 1,915,777 | 8,712 | 0.5% |
| **Liabilities:** | | | | | | | | |
| Current and other liabilities | 67,983 | 65,789 | 8,678 | 5,957 | 76,661 | 71,746 | 4,915 | 6.9% |
| Noncurrent liabilities | 285,292 | 272,919 | 5,157 | 5,134 | 290,449 | 278,053 | 12,396 | 4.5% |
| Total liabilities | 353,275 | 338,708 | 13,835 | 11,091 | 367,110 | 349,799 | 17,311 | 4.9% |
| **Net Assets:** | | | | | | | | |
| Invested in capital assets, net of related debt | 1,323,738 | 1,340,606 | 28,492 | 27,414 | 1,352,230 | 1,368,020 | (15,790) | -1.2% |
| Restricted | 104,934 | 96,060 | 8,565 | 9,883 | 113,499 | 105,943 | 7,556 | 7.1% |
| Unrestricted | 78,853 | 77,081 | 12,797 | 14,934 | 91,650 | 92,015 | (365) | -0.4% |
| Total Net Assets | $ 1,507,525 | $ 1,513,747 | $ 49,854 | $ 52,231 | $ 1,557,379 | $ 1,565,978 | $ (8,599) | -0.5% |

## Analysis of Net Assets

**Total Net Assets –** At June 30, 2010, the County's total net assets, $1,557.4 million, decreased by $8.6 million, or 0.6%, during the fiscal year.

The following analysis presents the individual components of County's net assets:

**Investment in capital assets, net of related debt –** The 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 ($1,352.2 million or 86.8%) of the County's net assets of $1,557.4 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Restricted Net Assets –** Approximately $113.5 million, or 7.3% of the County's net assets, represents resources that are subject to external restrictions on how they may be used. Restricted net assets are restricted as to funds reserved for special purposes, legislation, and other outside sources. These restricted net assets increased by $7.5 million compared to prior year.

**Unrestricted Net Assets –** 5.9% of the County's net assets, or $91.7 million, represents funds which may be used to meet the County's ongoing obligations to citizens and creditors. This amount is mainly unchanged from the prior year.

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

## Statement of Activities
## (in thousands)

| | Governmental Activities | | Business-type Activities | | Total | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | Dollar Change | % Change |
| **Revenues:** | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for services | $ 77,607 | $ 72,660 | $ 15,079 | $ 16,586 | $ 92,686 | $ 89,246 | $ 3,440 | 3.85% |
| Operating grants and contributions | 172,043 | 165,629 | 45,471 | 48,697 | 217,514 | 214,326 | 3,188 | 1.49% |
| Capital grants and contributions | 21,166 | 10,765 | 2,139 | 2,895 | 23,305 | 13,660 | 9,645 | 70.61% |
| Program revenues subtotal: | 270,816 | 249,054 | 62,689 | 68,178 | 333,505 | 317,232 | 16,273 | 5.13% |
| General revenues: | | | | | | | | |
| Property taxes | 189,146 | 183,658 | 3,259 | 3,226 | 192,405 | 186,884 | 5,521 | 2.95% |
| Sales and use taxes | 2,617 | 2,628 | -- | -- | 2,617 | 2,628 | (11) | -0.42% |
| Other taxes | 3,913 | 3,952 | -- | -- | 3,913 | 3,952 | (39) | -0.99% |
| Interest and investment earnings | 6,053 | 9,083 | 151 | 803 | 6,204 | 9,886 | (3,682) | -37.24% |
| Tobacco settlement revenues | 2,632 | 3,131 | -- | -- | 2,632 | 3,131 | (499) | -15.94% |
| Other revenue | 2,562 | 2,962 | -- | 74 | 2,562 | 3,036 | (474) | -15.61% |
| General revenues subtotal: | 206,923 | 205,414 | 3,410 | 4,103 | 210,333 | 209,517 | 816 | 0.39% |
| Total revenues | 477,739 | 454,468 | 66,099 | 72,281 | 543,838 | 526,749 | 17,089 | 3.24% |
| **Expenses:** | | | | | | | | |
| General government | 71,618 | 78,944 | -- | -- | 71,618 | 78,944 | (7,326) | -9.28% |
| Public protection | 169,012 | 169,921 | -- | -- | 169,012 | 169,921 | (909) | -0.53% |
| Public ways and facilities | 35,134 | 40,004 | -- | -- | 35,134 | 40,004 | (4,870) | -12.17% |
| Health and sanitation | 94,896 | 96,158 | -- | -- | 94,896 | 96,158 | (1,262) | -1.31% |
| Public assistance | 73,137 | 64,310 | -- | -- | 73,137 | 64,310 | 8,827 | 13.73% |
| Education | 13,026 | 13,377 | -- | -- | 13,026 | 13,377 | (351) | -2.62% |
| Recreation and culture services | 15,941 | 17,060 | -- | -- | 15,941 | 17,060 | (1,119) | -6.56% |
| Interest on long-term debt | 11,190 | 11,312 | -- | -- | 11,190 | 11,312 | (122) | -1.08% |
| Housing Authority | -- | -- | 36,592 | 36,119 | 36,592 | 36,119 | 473 | 1.31% |
| Transit District | -- | -- | 24,601 | 22,250 | 24,601 | 22,250 | 2,351 | 10.57% |
| Other business-type activities | -- | -- | 7,290 | 8,107 | 7,290 | 8,107 | (817) | -10.08% |
| Total Expenses | 483,954 | 491,086 | 68,483 | 66,476 | 552,437 | 557,562 | (5,125) | -0.92% |
| Change in net assets before transfers | (6,215) | (36,618) | (2,384) | 5,805 | (8,599) | (30,813) | 22,214 | -72.09% |
| Transfers | (7) | -- | 7 | -- | -- | -- | -- | |
| Change in net assets | (6,222) | (36,618) | (2,377) | 5,805 | (8,599) | (30,813) | 22,214 | -72.09% |
| Net assets, beginning | 1,513,747 | 1,550,365 | 52,231 | 46,939 | 1,565,978 | 1,597,304 | (31,326) | -1.96% |
| Prior period adjustments | -- | -- | -- | (513) | -- | (513) | 513 | -100.00% |
| Net assets, beginning as restated | 1,513,747 | 1,550,365 | 52,231 | 46,426 | 1,565,978 | 1,596,791 | (30,813) | -1.93% |
| Net assets, ending | $ 1,507,525 | $ 1,513,747 | $ 49,854 | $ 52,231 | $ 1,557,379 | $ 1,565,978 | $ (8,599) | -0.55% |

**Analysis of Governmental Activities:**

Program and general revenues covered a substantial amount of spending for this fiscal year, requiring the drawdown of only $6.2 million from the net assets to fill the net revenue/expense gap compared to $36.6 million last year. Factors contributing to this improvement are as follows:

**Revenues:** Total revenues increased by $23.3 million or 5.1% from all categories of revenues from the prior year, due mainly to increases in Charges for Services, and both operating and capital grants from outside agencies.

**Expenses:** Total expenses from Governmental Activities decreased $7.1 million from the prior year. This decrease was partially caused by the smaller *Annual Required Cost* associated with the contribution toward the Other Postemployment Benefits (OPEB), as determined by the recent OPEB actuarial valuation. Additional decreases in General government were the result of cost control measures which includes the continuation of hiring freeze and attrition.

**Analysis of Business-type Activities:**

On an overall basis, revenues decreased and expenses increased, resulting in a current year reduction in net assets of $2.4 million, compared to a prior year increase in net assets of $5.8 million.

Key elements of the changes from 2009 to 2010 are discussed in more detail on page 14, in section titled Proprietary Funds.

**Revenues:** Total revenue in all categories decreased by $6.2 million from prior year. This decrease was mostly from Operating grants ($3.2 million).

**Expenses:** Total expenses for Business-type Activities increased by $2.0 million over the prior year. The decrease in revenues and the increase of the expenses of the Business-type activities are discussed in detail in Funds financial statements section.

## III. FINANCIAL ANALYSIS OF COUNTY'S FUNDS

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

### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, 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, 2010, the County's governmental funds reported total assets of $350.2 million, total liabilities of $25.5 million, and total fund balance of $324.7 million.

The following are analysis of different components of fund balance:

- Unreserved fund balance – After establishing reserves for encumbrances (contractual commitments to third parties), and reserves for long-term account receivables and inventories, the remaining unreserved fund balance of $276.3 million is available to meet the County's current and future needs. Of this amount, the County designated (i.e. earmarked) $116.0 million to specific functions, projects, or activities. However, these designated fund balances are available for appropriation at any time, if the County decides to remove designations. The remaining fund balance not designated for any purpose is $160.6 million.

- Reserved fund balance - The $48.4 million reserved fund balance includes $40.1 million in encumbrances, $6.0 million in long term notes receivables, $1.6 million in advances to other funds and $0.7 million in inventories.

The **General Fund** is the main operating fund of the County. The General Fund's total fund balance increased by 10.2%, or $17.5 million, to $189.1 million as of June 30, 2010. The reserved fund balance was $33.0 million, up $4.7 million from last year, and the unreserved fund balance was $156.1 million, an increase of $12.8 million from the prior year.

**Flood Control and Water Conservation Districts (FCWCD)'s** total fund balance increased $2.3 million, to $16.3 million as of June 30, 2010. The reserved fund balance decreased $1.3 million from last year to $0.9 million. The unreserved fund balance increased from $11.8 million to $15.4 million from the prior year.

## Revenue

The following table presents the revenue, in thousands, from specific sources as well as changes from the prior year.

**Revenues Classified by Source**
**Governmental Funds**
**Fund Financial Statements**
**For the Year Ended June 30, 2010**
(in thousands)

| | FY 2010 | | FY 2009 | | Change | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | % of total |
| Taxes | $ 195,676 | 41.21% | $ 190,740 | 41.87% | $ 4,936 | 2.6% |
| Licenses and permits | 10,385 | 2.19% | 9,280 | 2.04% | 1,105 | 11.9% |
| Intergovernmental revenues | 188,421 | 39.69% | 176,194 | 38.68% | 12,227 | 6.9% |
| Charges for services | 56,828 | 11.97% | 54,587 | 11.98% | 2,241 | 4.1% |
| Fines and forfeits | 12,696 | 2.67% | 9,559 | 2.10% | 3,137 | 32.8% |
| Use of money and property | 6,053 | 1.27% | 9,083 | 1.99% | (3,030) | -33.4% |
| Miscellaneous | 4,726 | 1.00% | 6,094 | 1.34% | (1,368) | -22.4% |
| **Total Revenues** | $ 474,785 | 100.00% | $ 455,537 | 100.00% | $ 19,248 | 4.2% |

During this year, overall revenue for the County's governmental funds increased $19.2 million or 4.2% compared to a $28.9 million decrease in prior year. The largest increases, $12.2 million, are from intergovernmental; and the largest decreases, $3.0 million, are from use of money and property.

Taxes increased by $4.9 million or 2.6% from fiscal year 2009.

Intergovernmental revenue increased by $12.2 million or 6.9% from prior year. The American Recovery and Reinvestment Act funding accounted for $6.0 million of the increase. State and Federal contributions increased by $4.1 million or 2.8% during the current fiscal year. Other governmental revenues increased by $2.1 million due to a contribution from the San Rafael Redevelopment Agency.

Charges for services increased by $2.2 million or 4.1%. Additional revenue resulted from increased communications & dispatch fees.

Fines and forfeitures increased by $3.1 million or 32.8% from fiscal year 2009.

Use of money and property decreased by $3.0 million or 33.4% from fiscal year 2009, primarily due to lower earnings on pooled investments.

**Expenditures:**

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

**Expenditures by Function Including Capital Outlay**
**Governmental Funds**
**Fund Financial Statements**
**For the Year Ended June 30, 2010**
(in thousands)

| | FY 2010 | | FY 2009 | | Change | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | % |
| Current: | | | | | | |
| General government | $ 54,432 | 12.36% | $ 62,051 | 13.45% | $ (7,619) | -12.3% |
| Public protection | 155,404 | 35.28% | 153,674 | 33.30% | 1,730 | 1.1% |
| Public ways | 24,321 | 5.52% | 27,787 | 6.02% | (3,466) | -12.5% |
| Health & sanitation | 91,008 | 20.66% | 90,416 | 19.59% | 592 | 0.7% |
| Public assistance | 68,972 | 15.66% | 59,671 | 12.93% | 9,301 | 15.6% |
| Education | 12,136 | 2.76% | 12,588 | 2.73% | (452) | -3.6% |
| Culture and recreation | 14,722 | 3.34% | 15,115 | 3.28% | (393) | -2.6% |
| Capital outlay | 4,550 | 1.03% | 25,312 | 5.48% | (20,762) | -82.0% |
| Debt service: | | | | | | |
| Principal | 4,744 | 1.08% | 4,657 | 1.01% | 87 | 1.9% |
| Interest | 10,162 | 2.31% | 10,227 | 2.22% | (65) | -0.6% |
| **Total Expenditures** | $ 440,451 | 100.00% | $ 461,498 | 100.00% | $ (21,047) | -4.6% |

The County's total expenditures in FY 2010 decreased $21.0 million compared to the prior year. Decreases were mainly in the categories of General Government $7.6 million, Public Ways and Facilities $3.5 million, and Capital Outlay of $20.8 million. Main increases were Public Protection $1.7 million and Public Assistance $9.3 million.

*General Government* representing 12.4% of the County's total expenditures decreased by $7.6 million compared to the prior year. This decrease is the result of County's management's conservative use of resources due to economic uncertainties and expected lower future revenues.

*Public Protection* representing 35.3% of the County's total expenditures increased $1.7 million compared to the prior year.

*Health and Sanitation* representing 20.7% of the County's total expenditures decreased $0.6 million compared to the prior year.

*Public Assistance* representing 15.7% of the County's total expenditures increased $9.3 million compared to the prior year due to an increased caseload from poor economic conditions.

## Proprietary Funds

*Housing Authority of Marin*

- The assets of the Authority exceeded its liabilities at the close of the year by $29.0 million. Of that amount, $3.0 million was considered unrestricted net assets and may be used to meet the Authority's ongoing obligations.

- Net assets of the Authority are $29.0 million, which is $1.7 million lower than prior year. This change is primarily due to a reduction in federal grants and subsidies of $1.3 million and an increase in Housing Assistance Program (HAP) of $0.6 million.

- Total expenses for all programs were $36.6 million for the year. Revenue from all programs primarily reflects Housing Urban Development (HUD) grants and subsidies of $30.6 million and rental, interest earnings and other income of approximately $4.1 million.

The largest portion of the Authority's net assets (60.0%) reflects its investment in capital assets, net of related debt (e.g. land, buildings and improvements, furniture, equipment and machinery, less notes payable used to purchase these assets). The Authority uses these capital assets to provide services to clients; consequently, these assets are not available for future spending. At the end of the fiscal year, the Authority as a whole is able to report positive balances in all categories of Net Assets.

*Marin County Transit District*

The Transit's total net assets as of June 30, 2010, were $10.3 million which is a decrease of $0.8 million over the prior year's balance. This amount is comprised of $2.5 million investment in capital net assets and unrestricted fund equity of $7.8 million.

The Transit was reimbursed $8.7 million from the Transportation Authority of Marin as part of the voter approved *Measure A* sales tax.

## IV. Capital Assets

The County's investment in capital assets during the fiscal year decreased $19.1 million to $1,441.2 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.

During fiscal year 2010, major changes in asset balances are due to reductions for depreciation of $25.5 million and $1 million for deletions and adjustments. These reductions are offset by equipment acquisitions of $2.5 million and additional investment in AUC for $4.9 million. During the year, $6.3 million of projects in AUC were completed and transferred to Structures & Improvements and Infrastructure. These AUC transfers do not change the overall asset balance but highlight the successful completion of various projects and explain the decrease in AUC of $1.4 million. All of these changes result in the $19.1 million reduction in capital assets.

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

| | Governmental Activities | | Business-type Activities | | Total | | Change |
|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | Inc (Dec) |
| Land and infrastructure land | $ 1,228,915 | $ 1,229,721 | $ 7,014 | $ 7,050 | $ 1,235,929 | $ 1,236,771 | $ (842) |
| Structures and improvements | 109,618 | 115,937 | 19,357 | 20,114 | 128,975 | 136,051 | (7,076) |
| Equipment | 9,497 | 10,564 | 2,626 | 1,809 | 12,123 | 12,373 | (250) |
| Infrastructure | 52,740 | 62,159 | -- | -- | 52,740 | 62,159 | (9,419) |
| Other property | -- | -- | 2,262 | 2,356 | 2,262 | 2,356 | (94) |
| Assets under construction | 6,077 | 8,324 | 3,120 | 2,285 | 9,197 | 10,609 | (1,412) |
| Total | $ 1,406,847 | $ 1,426,705 | $ 34,379 | $ 33,614 | $ 1,441,226 | $ 1,460,319 | $ (19,093) |

The County purchases and constructs capital assets throughout the year. Assets under construction are not depreciated until placed in service, thus these assets are recorded in a separate category known as "assets under construction". When a project is completed, the AUC is transferred to the appropriate land, building or infrastructure account.

The following table details the changes in capital assets:

Changes in Capital Assets (in thousands)

| | Increase (Decrease) | |
|---|---|---|
| Capital assets, not being depreciated | | |
| Land additions | $ 35 | |
| AUC additions | 4,887 | |
| AUC completions/disposals | (6,298) | |
| Deletions and adjustments | (876) | |
| Total capital assets, not being depreciated | | (2,252) |
| Capital assets, being depreciated | | |
| Structure and improvement depreciation | (11,596) | |
| Structure and improvement adjustments/transfers | 4,521 | |
| Equipment additions | 2,461 | |
| Equipment depreciation | (3,870) | |
| Equipment disposal | (22) | |
| Equipment adjustments/transfers | 1,181 | |
| Insfrastructure depreciation | (9,987) | |
| Insfrastructure adjustments/transfers | 473 | |
| Total capital assets, being depreciated | | (16,839) |
| Total change - County capital assets | | $ (19,091) |

Additional capital assets information, including depreciation and outstanding AUC as of June 30, 2010, can be found in Note 6 to the financial statements on pages 54 – 55.

## V. Debt Administration

### Outstanding Debt (in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | Dollar Change | Percent Change |
| Bonds payable | $ 171,886 | $ 172,647 | $ -- | $ -- | $ 171,886 | $ 172,647 | $ (761) | -0.44% |
| Certificates of participation | 32,760 | 36,005 | -- | -- | 32,760 | 36,005 | (3,245) | -9.01% |
| Loans payable | 3,062 | 2,398 | 5,674 | 5,107 | 8,736 | 7,505 | 1,231 | 16.40% |
| Capital leases payable | 558 | 882 | -- | -- | 558 | 882 | (324) | -36.73% |
| Total | $ 208,266 | $ 211,932 | $ 5,674 | $ 5,107 | $ 213,940 | $ 217,039 | $ (3,099) | -1.43% |

At June 30, 2010, the County had outstanding long-term debt in the amount of $214 million. This amount was comprised of $172 million in bonds payable, $33 million in certificates of participation (COP), $8.7 million in loans payable and $0.6 million in capital lease obligations.

The County's 2010 debt payments totaled $5.2 million. The county borrowed an additional $2 million during the year.

The County's credit rating is Aal and AA+ from Moody's and Standard & Poor's for its taxable pension general obligation bonds, and is Aa2 and AA+ from Moody's and Standard & Poor's for its certificates of participation.

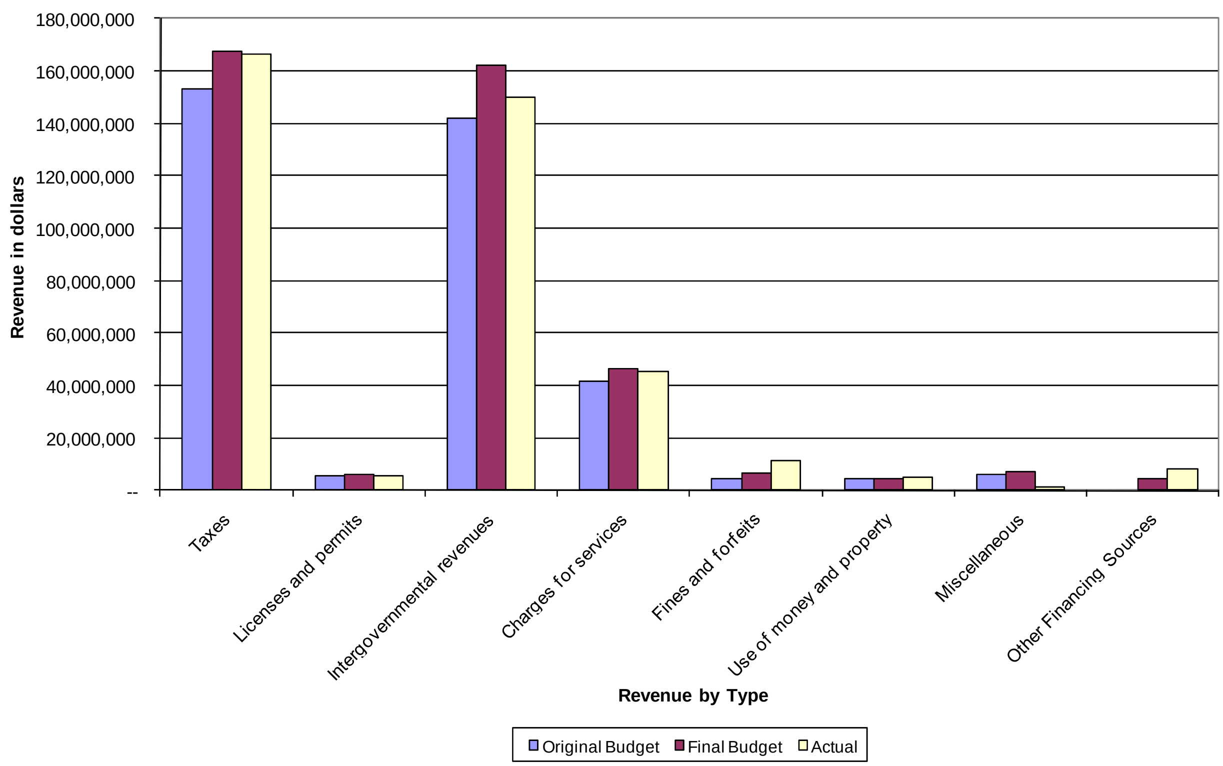
Additional information on the County's long-term debt can be found on pages 57 – 61 in the Notes to the Financial Statement.

## VI. GENERAL FUND BUDGETARY HIGHLIGHTS

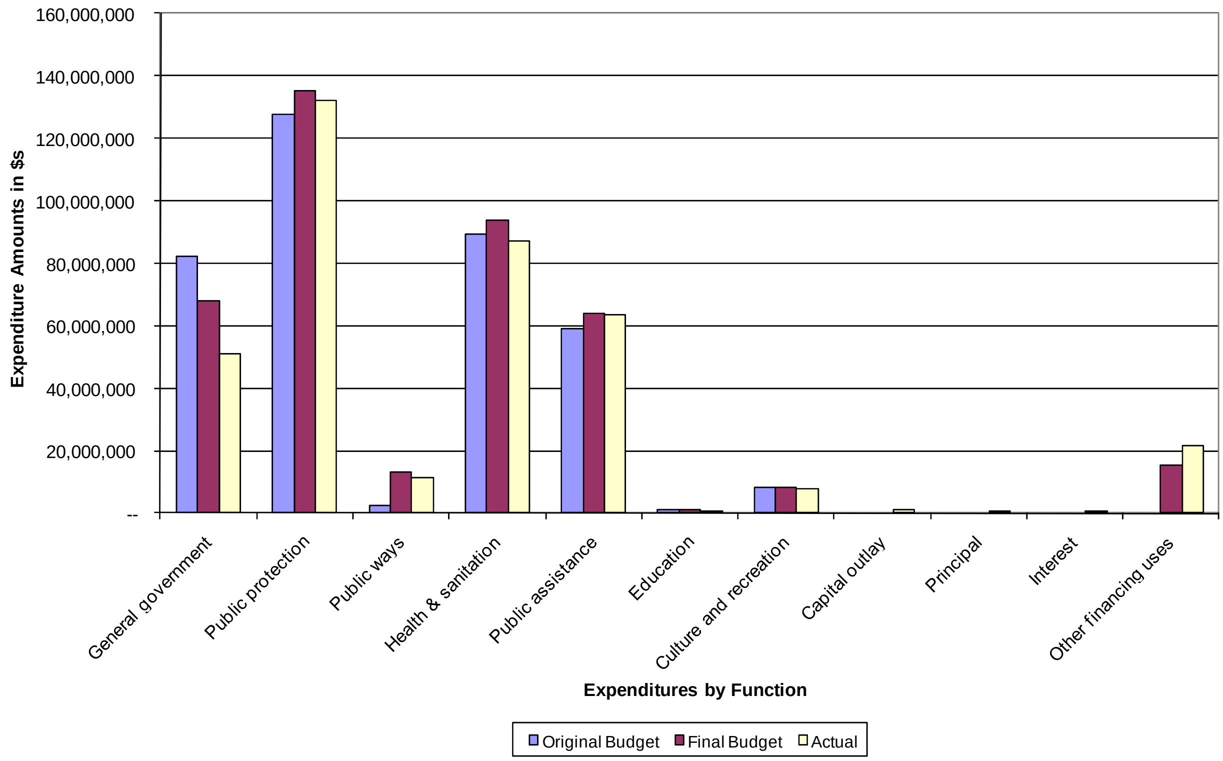
During fiscal year 2010 actual resources received by the General Fund were less than budgeted by $11.4 million. This was mainly due to decreases in California grants and reimbursements. Charges to appropriations were less than budgeted by $22.5 million. This spending variance was mainly due to expenditure reductions of $15.5 million in General Government spending, $6.6 million in Health and Sanitation, and $3.5 million in Public Protection. These reductions were partially offset by a net of $6.4 million of increased non-budgeted transfers out from the General Fund to aid numerous capital projects, pension obligation contributions and debt services.

The final budget compared to the adopted budget contained increases in revenues of $47.6 million or 13.3%. Appropriations increased $28.9 million or 7.8%. Resources (revenues & other financing sources) and appropriations (expenditures & other financing uses) represent the legal level of budgetary controls and legal authority to spend. In fiscal year 2010 the final budgeted resources of the general fund are $405.1 million compared to $390.2 million in fiscal year 2009 or an increase of $14.9 million or 3.8%. Final budget appropriations for fiscal year 2010 were $398.7 million compared to $397.3 million in fiscal year 2009 or an increase of $1.4 million or less than 1%.

## General Fund Revenue Comparison



**General Fund Expenditure Comparison**




## FLOOD CONTROL AND WATER CONSERVATION DISTRICTS

## BUDGETARY HIGHLIGHTS

Total revenues for fiscal 2010 were greater than budgeted revenues by $2.8 million or 60% due to uncertainty of the outcome of a lawsuit relating to the Ross Valley Flood Zone District. A lawsuit was initiated challenging the legality of a special assessment that provided revenues to the district. Related revenues were not budgeted until the lawsuit was decided in favor of the district. Actual expenditures were less than budgeted expenditures by $3.4 million or 40.2%.

## ECONOMIC FACTORS AND THE OUTLOOK FOR FY 2010-11 BUDGET

Like communities across the nation, Marin County is adapting to a new economic reality. The County continues to plan for reductions in property and sales tax collections as well as substantial cuts in state funding. Over the past three years the County has proposed spending reduction of $25 million.

Given the scope of the projected budget shortfall, the County for the first time in many years may recommend personnel reductions due to the state's ongoing budget crisis.

Below are a number of key issues impacting the development of the 2011 budget:

**Property Tax Slowdown:** The downturn in the housing market continues to impact the County budget as approximately one quarter of County revenues comes from property taxes. While the housing market is slowly improving, it continues to impact the budget. The County projects a negative 2.0% property tax growth rate for FY 2010-11. This is the first year since voters approved Proposition 13 that property tax growth is anticipated to be negative. During the housing boom, the County experienced 7%- 9% annual growth. This means that less money will be available to fund current and emerging service needs.

**Employee Benefits and Retiree Health Care:** Health care costs for active and retired employees are a growing component of county expenditures with insurance costs increasing 10% to 12% annually over the last 12 years. Three years ago, the County introduced benefit changes that substantially slowed the growth of the long-term liability related to retiree health care benefits. Public pensions are also a significant factor contributing to the projected budget shortfall. Equity market losses through June 30, 2009 in Marin County Employee Retirement Association (MCERA) investment assets have created a 30% increase next year in the employer pension contribution – or approximately an $8 million increase in General Fund costs in FY 2010-11. Even with recent stock market gains, pension contributions are expected to increase in the next several years as asset gains and losses are typically smoothed to control rate volatility.

**State Budget Uncertainties:** Given that the County receives approximately 30 percent of its funding from the state, the county's budget is significantly impacted by continuing state budget uncertainties. The state faces a structural deficit of $19.9 billion for FY 2010-11. The County's proposed budget includes a one-time $2 million budgeted contingency reserve to allow time to adapt to the expected loss of program revenues. In addition, the County has worked with departments to develop approximately $5 million in additional contingency options to assist with anticipated state budget impacts.

**Facilities Maintenance/Disabilities Access:** The County's recently updated Americans with Disabilities Act (ADA) Transition Plan estimates the need for approximately $30 million to address our existing infrastructure. The proposed capital improvement budget allocates $4 million for the highest priority facility and disability access improvements, a $2 million increase over the prior year. Also, the budget includes an additional $1 million for ADA improvements.

## 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:

Director of Finance
County of Marin
3501 Civic Center Dr., Room 225
San Rafael, CA 94903
Tel: (415) 499-6154

# BASIC FINANCIAL STATEMENTS –
# GOVERNMENT-WIDE FINANCIAL STATEMENTS

## COUNTY OF MARIN

Statement of Net Assets
June 30, 2010

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **ASSETS** | | | |
| Cash and investments in County pool | $ 304,852,042 | $ 7,202,119 | $ 312,054,161 |
| Other outside investments | -- | 2,536,793 | 2,536,793 |
| Receivables: | | | |
| Accounts and other - net | 12,699,050 | 224,909 | 12,923,959 |
| Taxes | 791,477 | -- | 791,477 |
| Due from other agencies | 25,395,093 | 6,184,455 | 31,579,548 |
| Employee loans | 517,029 | -- | 517,029 |
| Other loans | 20,156,898 | 4,185,560 | 24,342,458 |
| Inventories | 735,424 | -- | 735,424 |
| Prepaid items and other assets | -- | 1,069,924 | 1,069,924 |
| Restricted cash held with trustee | 5,104,104 | -- | 5,104,104 |
| Other restricted cash | -- | 7,708,770 | 7,708,770 |
| Deferred fiscal charges | 3,373,774 | -- | 3,373,774 |
| Net pension asset | 79,903,530 | -- | 79,903,530 |
| Internal balances | 425,000 | (425,000) | -- |
| Property held for resale | -- | 621,952 | 621,952 |
| Capital assets: | | | |
| Nondepreciable | 1,234,992,077 | 10,133,868 | 1,245,125,945 |
| Depreciable, net | 171,854,576 | 24,245,742 | 196,100,318 |
| **Total assets** | $ 1,860,800,074 | $ 63,689,092 | $ 1,924,489,166 |
| **LIABILITIES** | | | |
| Accounts payable and accrued expenses | $ 9,460,334 | $ 5,112,862 | $ 14,573,196 |
| Due to other agencies | -- | 232,560 | 232,560 |
| Salaries and benefits payable | 4,407,570 | 88,998 | 4,496,568 |
| Accrued interest payable | 4,155,215 | 848,281 | 5,003,496 |
| Unearned revenues | 4,000,258 | 1,267,906 | 5,268,164 |
| Other liabilities | 3,249,229 | 245,828 | 3,495,057 |
| Estimated claims | 25,564,618 | -- | 25,564,618 |
| Compensated absences: | | | |
| Due within one year | 11,766,722 | 77,252 | 11,843,974 |
| Due beyond one year | 2,507,705 | 205,678 | 2,713,383 |
| Long-term liabilities: | | | |
| Due within one year | 5,379,085 | 803,949 | 6,183,034 |
| Due beyond one year | 202,885,507 | 4,870,225 | 207,755,732 |
| Liability for post-employment benefits | 79,898,485 | 81,000 | 79,979,485 |
| **Total liabilities** | 353,274,728 | 13,834,539 | 367,109,267 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 1,323,738,129 | 28,492,170 | 1,352,230,299 |
| Restricted: | | | |
| Education | 6,124,970 | -- | 6,124,970 |
| Health and sanitation | 14,769,903 | -- | 14,769,903 |
| Public assistance | 10,665,409 | -- | 10,665,409 |
| Public protection | 35,827,576 | -- | 35,827,576 |
| Public ways and facilities | 13,520,204 | -- | 13,520,204 |
| Recreation | 11,805,635 | -- | 11,805,635 |
| Debt service | 12,219,869 | -- | 12,219,869 |
| Other purposes | -- | 8,565,480 | 8,565,480 |
| Unrestricted | 78,853,651 | 12,796,903 | 91,650,554 |
| **Total net assets** | 1,507,525,346 | 49,854,553 | 1,557,379,899 |
| **Total liabilities and net assets** | $ 1,860,800,074 | $ 63,689,092 | $ 1,924,489,166 |

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

## COUNTY OF MARIN

Statement of Activities
For the Fiscal Year Ended June 30, 2010

| Functions/Programs | Expenses | Program Revenues: Fees, Fines, and Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government** | | | | |
| Governmental Activities: | | | | |
| General government | $ 71,617,475 | $ 24,023,409 | $ 3,198,421 | $ -- |
| Public protection | 169,011,775 | 38,555,176 | 32,049,683 | 531,577 |
| Public ways and facilities | 35,134,260 | 6,885,454 | 10,515,082 | 18,257,368 |
| Health and sanitation | 94,895,462 | 3,892,286 | 67,136,751 | 75,505 |
| Public assistance | 73,137,027 | 990,829 | 58,408,190 | -- |
| Education | 13,025,776 | 3,092,473 | 130,469 | -- |
| Recreation and cultural services | 15,941,380 | 167,058 | 604,887 | 2,301,530 |
| Debt Service: | | | | |
| Interest and fiscal charges | 11,190,274 | -- | -- | -- |
| Total governmental activities | 483,953,429 | 77,606,685 | 172,043,483 | 21,165,980 |
| Business-Type Activities: | | | | |
| Housing Authority | 36,591,718 | 2,960,138 | 31,285,751 | 588,790 |
| Transit District | 24,601,271 | 5,739,632 | 13,186,223 | 1,550,020 |
| Other business-type activities | 7,289,907 | 6,379,526 | 999,464 | -- |
| Total business-type activities | 68,482,896 | 15,079,296 | 45,471,438 | 2,138,810 |
| Total primary government | $ 552,436,325 | $ 92,685,981 | $ 217,514,921 | $ 23,304,790 |

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

Change in net assets

Net assets, beginning of year

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 |
| | | |
| $ (44,395,645) | $ -- | $ (44,395,645) |
| (97,875,339) | -- | (97,875,339) |
| 523,644 | -- | 523,644 |
| (23,790,920) | -- | (23,790,920) |
| (13,738,008) | -- | (13,738,008) |
| (9,802,834) | -- | (9,802,834) |
| (12,867,905) | -- | (12,867,905) |
| | | |
| (11,190,274) | -- | (11,190,274) |
| (213,137,281) | -- | (213,137,281) |
| | | |
| -- | (1,757,039) | (1,757,039) |
| -- | (4,125,396) | (4,125,396) |
| -- | 89,083 | 89,083 |
| -- | (5,793,352) | (5,793,352) |
| | | |
| (213,137,281) | (5,793,352) | (218,930,633) |
| | | |
| 189,146,127 | 3,258,947 | 192,405,074 |
| 2,617,299 | -- | 2,617,299 |
| 3,912,590 | -- | 3,912,590 |
| 6,053,144 | 150,809 | 6,203,953 |
| 2,632,091 | -- | 2,632,091 |
| 2,561,688 | -- | 2,561,688 |
| (7,048) | 7,048 | -- |
| 206,915,891 | 3,416,804 | 210,332,695 |
| | | |
| (6,221,390) | (2,376,548) | (8,597,938) |
| | | |
| 1,513,746,736 | 52,231,101 | 1,565,977,837 |
| | | |
| $ 1,507,525,346 | $ 49,854,553 | $ 1,557,379,899 |

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, 2010

| | General | Flood Control Zones | Other Governmental Funds | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments in County pool | $ 159,342,921 | $ 18,720,916 | $103,618,183 | $ 281,682,020 |
| Cash with fiscal agent | -- | -- | 4,921,293 | 4,921,293 |
| Receivables: | | | | |
| Taxes | 791,477 | -- | -- | 791,477 |
| Accounts | 11,930,452 | 4,199 | 764,399 | 12,699,050 |
| Notes receivable - short term | 13,220,553 | -- | 950,000 | 14,170,553 |
| Notes receivable - long term | 784,685 | -- | 5,201,660 | 5,986,345 |
| Employee loans receivable | 517,029 | -- | -- | 517,029 |
| Due from other funds | 1,668,704 | -- | -- | 1,668,704 |
| Due from other governmental agencies | 16,831,572 | 12,380 | 8,551,141 | 25,395,093 |
| Advances to other funds | 1,560,000 | -- | 45,400 | 1,605,400 |
| Inventory of supplies | 636,080 | -- | 99,344 | 735,424 |
| Total assets | $ 207,283,473 | $ 18,737,495 | $124,151,420 | $ 350,172,388 |
| **LIABILITIES** | | | | |
| Accounts payable and accrued expenses | $ 6,784,946 | $ 84,882 | $ 2,455,421 | $ 9,325,249 |
| Accrued salaries and benefits | 3,994,211 | -- | 413,359 | 4,407,570 |
| Due to other funds | -- | 780,621 | 463,083 | 1,243,704 |
| Advances payable | -- | 1,560,000 | 45,400 | 1,605,400 |
| Deferred revenue | 5,060,571 | -- | 629,733 | 5,690,304 |
| Other liabilities | 2,391,474 | -- | 857,755 | 3,249,229 |
| Total liabilities | 18,231,202 | 2,425,503 | 4,864,751 | 25,521,456 |
| **FUND BALANCES** | | | | |
| Reserved for: | | | | |
| Encumbrances | 29,974,729 | 866,208 | 9,245,700 | 40,086,637 |
| Advances to other funds | 1,560,000 | -- | -- | 1,560,000 |
| Inventories | 636,080 | -- | 99,344 | 735,424 |
| Notes receivable | 784,685 | -- | 5,201,660 | 5,986,345 |
| Unreserved: | | | | |
| Designated: | | | | |
| Subsequent expenditures | 56,742,600 | -- | -- | 56,742,600 |
| Self-insurance | 18,400,000 | -- | -- | 18,400,000 |
| Retirement rate stabilization | 17,000,000 | -- | -- | 17,000,000 |
| Budget uncertainties | 23,839,648 | -- | -- | 23,839,648 |
| Undesignated | | | | |
| Reported in the General Fund | 40,114,529 | -- | -- | 40,114,529 |
| Reported in Special Revenue Funds | -- | 15,445,784 | 76,563,314 | 92,009,098 |
| Reported in Capital Projects Funds | -- | -- | 15,967,395 | 15,967,395 |
| Reported in Debt Service Funds | -- | -- | 12,209,256 | 12,209,256 |
| Total fund balances | 189,052,271 | 16,311,992 | 119,286,669 | 324,650,932 |
| Total liabilities and fund balances | $ 207,283,473 | $ 18,737,495 | $124,151,420 | $ 350,172,388 |

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, 2010

| | | |
|---|---|---|
| Fund Balance - total governmental funds (page 25) | | $ 324,650,932 |
| 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 | 1,228,915,077 | |
| Construction in progress | 6,077,000 | |
| Infrastructure, net of accumulated depreciation | 52,739,380 | |
| Buildings and improvements, net of accumulated depreciation | 109,618,272 | |
| Equipment, net of accumulated depreciation | 9,496,924 | |
| Total capital assets | | 1,406,846,653 |
| 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. | | 83,277,304 |
| Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the Governmental Funds. | | 1,690,046 |
| 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. | | 3,311,130 |
| 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 | (207,707,040) | |
| Capital leases | (557,552) | |
| Accrued interest on long-term debt | (4,155,215) | |
| Compensated absences | (14,274,427) | |
| Other post employment benefits payable | (79,898,485) | |
| Claims and judgments | (5,658,000) | |
| Total long-term liabilities | | (312,250,719) |
| Net assets of governmental activities (page 22) | | $ 1,507,525,346 |

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, 2010

| | General | Flood Control Zones | Other Governmental Funds | Total |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 166,273,455 | $ 4,633,026 | $ 24,769,535 | $ 195,676,016 |
| Licenses and permits | 5,707,638 | -- | 4,677,475 | 10,385,113 |
| Intergovernmental revenues | 150,045,450 | 63,567 | 38,311,848 | 188,420,865 |
| Charges for services | 45,217,879 | 2,472,472 | 9,137,642 | 56,827,993 |
| Fines and forfeits | 11,390,281 | -- | 1,305,338 | 12,695,619 |
| From use of money and property | 5,072,894 | 183,649 | 796,601 | 6,053,144 |
| Miscellaneous | 1,554,577 | 5,456 | 3,165,691 | 4,725,724 |
| Total revenues | 385,262,174 | 7,358,170 | 82,164,130 | 474,784,474 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 50,905,584 | -- | 3,526,483 | 54,432,067 |
| Public protection | 131,968,211 | 5,067,676 | 18,367,751 | 155,403,638 |
| Public ways and facilities | 11,510,505 | -- | 12,810,142 | 24,320,647 |
| Health and sanitation | 87,119,573 | -- | 3,888,254 | 91,007,827 |
| Public assistance | 63,354,750 | -- | 5,617,444 | 68,972,194 |
| Education | 805,005 | -- | 11,331,006 | 12,136,011 |
| Recreation and cultural services | 7,718,321 | -- | 7,004,104 | 14,722,425 |
| Capital outlay | 1,104,177 | 31,769 | 3,413,677 | 4,549,623 |
| Debt Service: | | | | |
| Principal | 42,057 | -- | 4,702,163 | 4,744,220 |
| Interest | 30,029 | -- | 10,132,278 | 10,162,307 |
| Total expenditures | 354,558,212 | 5,099,445 | 80,793,302 | 440,450,959 |
| Excess (deficiency) of revenues over (under) expenditures | 30,703,962 | 2,258,725 | 1,370,828 | 34,333,515 |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | -- | -- | 681,600 | 681,600 |
| Inception of capital lease | 96,389 | -- | -- | 96,389 |
| Transfers in | 8,391,136 | 51 | 25,384,680 | 33,775,867 |
| Transfers out | (21,643,973) | (17) | (12,133,705) | (33,777,695) |
| Total other financing sources (uses) | (13,156,448) | 34 | 13,932,575 | 776,161 |
| Net change in fund balances | 17,547,514 | 2,258,759 | 15,303,403 | 35,109,676 |
| Fund balances, beginning of year | 171,504,757 | 14,053,233 | 103,983,266 | 289,541,256 |
| Fund balances, end of year | $ 189,052,271 | $ 16,311,992 | $ 119,286,669 | $ 324,650,932 |

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, 2010

| | | |
|---|---|---|
| Net change to fund balance - total governmental funds (page 27) | | $ 35,109,676 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Expenditures for general capital assets, infrastructure, and other related capital assets adjustments | $ 3,687,865 | |
| Less: current year depreciation | (23,545,913) | (19,858,048) |
| Collections from prior year deferrals are recognized as revenues in the governmental funds but are not revenues in the statement of activities. | | (726,567) |
| Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. | | |
| Amortization of bond discount | (62,193) | |
| Amortization of deferred fiscal charges | (140,193) | |
| Amortization of loss on refunding | (146,578) | |
| Accretion of loan payable | (657,791) | |
| Debt issued | (681,600) | |
| Repayment of bonds, certificates of participation, and notes | 4,744,234 | |
| Net adjustment | | 3,055,879 |
| Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. | | |
| Repayment of capital lease obligations | | 324,613 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds | | |
| Change in compensated absences | (605,259) | |
| Amortization of net pension asset | (4,700,210) | |
| Other post employment benefits liability | (16,718,936) | |
| Change in claims liability | (486,000) | |
| Accrued interest on long-term debt | (21,212) | |
| Net adjustment | | (22,531,617) |
| 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. | | (1,595,326) |
| Change in net assets of governmental activities (page 24) | | $ (6,221,390) |

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

# COUNTY OF MARIN

## Statement of Fund Net Assets
## Proprietary Funds
## June 30, 2010

| | Business-type Activities | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Housing Authority | Transit District | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash and investments in County pool | $ -- | $ 5,399,206 | $ 1,802,913 | $ 7,202,119 | $ 23,170,022 |
| Cash with fiscal agent | -- | -- | -- | -- | 182,811 |
| Other cash | 2,536,793 | -- | -- | 2,536,793 | -- |
| Receivables: | | | | | |
| Taxes | -- | -- | -- | -- | -- |
| Accounts | 224,909 | -- | -- | 224,909 | -- |
| Prepaid items and other assets | 161,590 | 32,000 | 784,109 | 977,699 | -- |
| Depostis with others | -- | -- | 92,225 | 92,225 | -- |
| Short-term notes receivable | 982 | -- | -- | 982 | -- |
| Due from other governments | 934,852 | 5,249,603 | -- | 6,184,455 | -- |
| Assets held for resale | 621,952 | -- | -- | 621,952 | -- |
| Total current assets | 4,481,078 | 10,680,809 | 2,679,247 | 17,841,134 | 23,352,833 |
| Noncurrent Assets: | | | | | |
| Restricted cash | 7,708,770 | -- | -- | 7,708,770 | -- |
| Long-term notes receivable | 4,184,578 | -- | -- | 4,184,578 | -- |
| Capital assets: | | | | | |
| Nondepreciable | 4,984,084 | -- | 5,149,784 | 10,133,868 | -- |
| Depreciable, net | 18,307,865 | 2,520,630 | 3,417,247 | 24,245,742 | -- |
| Total noncurrent assets | 35,185,297 | 2,520,630 | 8,567,031 | 46,272,958 | -- |
| **Total assets** | $ 39,666,375 | $ 13,201,439 | $ 11,246,278 | $ 64,114,092 | $ 23,352,833 |
| **LIABILITIES** | | | | | |
| Current Liabilities: | | | | | |
| Vouchers and accounts payable | $ 383,559 | $ 2,037,264 | $ 35,359 | $ 2,456,182 | $ 135,085 |
| Accrued salaries and benefits | 87,311 | -- | 1,687 | 88,998 | -- |
| Due to other funds | -- | -- | 425,000 | 425,000 | -- |
| Due to other agencies | 232,560 | -- | -- | 232,560 | -- |
| Other liabilities | 245,828 | -- | -- | 245,828 | -- |
| Deferred revenues | 235,148 | 796,979 | 235,779 | 1,267,906 | -- |
| Compensated absences | 58,809 | -- | 18,443 | 77,252 | -- |
| Mortgages payable | 803,949 | -- | -- | 803,949 | -- |
| Total current liabilities | 2,047,164 | 2,834,243 | 716,268 | 5,597,675 | 135,085 |
| Long-Term Liabilities: | | | | | |
| Security deposits and escrows payable (payable from restricted assets:) | 2,656,680 | -- | -- | 2,656,680 | -- |
| Compensated absences | 176,419 | 25,320 | 3,939 | 205,678 | -- |
| Deferred interest due on long-term debt | 848,281 | -- | -- | 848,281 | -- |
| Long-term debt | 4,870,225 | -- | -- | 4,870,225 | -- |
| Other post-employment benefits | 81,000 | -- | -- | 81,000 | -- |
| Estimated claims | -- | -- | -- | -- | 19,906,618 |
| Total noncurrent liabilities | 8,632,605 | 25,320 | 3,939 | 8,661,864 | 19,906,618 |
| Total liabilities | 10,679,769 | 2,859,563 | 720,207 | 14,259,539 | 20,041,703 |
| **NET ASSETS** | | | | | |
| Invested in capital assets, net of related debt | 17,404,510 | 2,520,630 | 8,567,030 | 28,492,170 | -- |
| Restricted | 8,565,480 | -- | -- | 8,565,480 | -- |
| Unrestricted | 3,016,616 | 7,821,246 | 1,959,041 | 12,796,903 | 3,311,130 |
| Total net assets | 28,986,606 | 10,341,876 | 10,526,071 | 49,854,553 | 3,311,130 |
| **Total liabilities and net assets** | $ 39,666,375 | $ 13,201,439 | $ 11,246,278 | $ 64,114,092 | $ 23,352,833 |

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, 2010

| | Business-Type Activities | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Housing Authority | Transit District | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| **Operating Revenues:** | | | | | |
| Charges for services | $ 4,921,728 | $ 5,739,632 | $ 6,314,564 | $ 16,975,924 | $ 3,117,768 |
| Other revenue | -- | -- | 64,962 | 64,962 | 467,009 |
| Total operating revenues | 4,921,728 | 5,739,632 | 6,379,526 | 17,040,886 | 3,584,777 |
| **Operating Expenses:** | | | | | |
| Salaries and employee benefits | -- | -- | 969,490 | 969,490 | 153,745 |
| Services and supplies | -- | 24,104,323 | 6,142,678 | 30,247,001 | 340,994 |
| Housing assistance | 37,267,745 | -- | -- | 37,267,745 | -- |
| Claims expense | -- | -- | -- | -- | 4,680,144 |
| Depreciation | 1,232,558 | 496,948 | 177,739 | 1,907,245 | -- |
| Total operating expenses | 38,500,303 | 24,601,271 | 7,289,907 | 70,391,481 | 5,174,883 |
| **Operating Income (Loss)** | (33,578,575) | (18,861,639) | (910,381) | (53,350,595) | (1,590,106) |
| **Non-Operating Revenues (Expenses):** | | | | | |
| Property tax revenue | -- | 3,258,947 | -- | 3,258,947 | -- |
| Intergovernmental revenue | 31,285,751 | 13,186,223 | 999,464 | 45,471,438 | -- |
| Investment income - restricted | 132,892 | -- | -- | 132,892 | -- |
| Investment income - unrestricted | 20,293 | 70,763 | 59,753 | 150,809 | -- |
| Gain (loss) on disposition of assets | 27,090 | -- | -- | 27,090 | -- |
| Interest expense | (212,987) | -- | -- | (212,987) | -- |
| Total non-operating revenues (expenses) | 31,253,039 | 16,515,933 | 1,059,217 | 48,828,189 | -- |
| **Income (Loss) Before Capital Contributions and Transfers** | (2,325,536) | (2,345,706) | 148,836 | (4,522,406) | (1,590,106) |
| Capital contributions | 588,790 | 1,550,020 | -- | 2,138,810 | -- |
| Transfers in | -- | -- | 10,000 | 10,000 | -- |
| Transfers out | -- | -- | (2,952) | (2,952) | (5,220) |
| **Change in net assets** | (1,736,746) | (795,686) | 155,884 | (2,376,548) | (1,595,326) |
| Net assets, beginning of year | 30,723,352 | 11,137,562 | 10,370,187 | 52,231,101 | 4,906,456 |
| Net assets, end of year | $ 28,986,606 | $ 10,341,876 | $ 10,526,071 | $ 49,854,553 | $ 3,311,130 |

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, 2010

| | Business-Type Activities - Enterprise Funds | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Housing Authority | Transit District | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| **Cash Flows from Operating Activities** | | | | | |
| Cash receipts from customers | $ 2,866,771 | $ 5,067,016 | $ 6,368,133 | $ 14,301,920 | $ 467,009 |
| Cash receipts from internal fund services provided | -- | -- | -- | -- | 3,117,768 |
| Cash paid for claims | -- | -- | -- | -- | (3,386,526) |
| Cash paid to suppliers for goods and services | (29,434,766) | (23,876,210) | (6,168,027) | (59,479,003) | (193,714) |
| Cash paid to employees for salaries and benefits | (5,418,330) | -- | (928,043) | (6,346,373) | (186,306) |
| Net cash provided (used) by operating activities | (31,986,325) | (18,809,194) | (727,937) | (51,523,456) | (181,769) |
| **Cash Flows from Noncapital Financing Activities** | | | | | |
| Property tax revenues | -- | 3,265,397 | -- | 3,265,397 | -- |
| Operating grants received | 33,168,440 | -- | -- | 33,168,440 | -- |
| Intergovernmental revenues | -- | 13,407,927 | 999,464 | 14,407,391 | -- |
| Repayment of notes receivable | 359,943 | -- | -- | 359,943 | -- |
| Repayment on notes payable | -- | -- | (8,814) | (8,814) | -- |
| Loan proceeds | -- | -- | 425,000 | 425,000 | -- |
| Notes receivable issued | (705,279) | -- | -- | (705,279) | -- |
| Interest received on notes receivable | 87,538 | -- | -- | 87,538 | -- |
| Transfers in | -- | -- | 10,000 | 10,000 | |
| Transfers out | -- | -- | (2,952) | (2,952) | (5,220) |
| Net cash provided (used) by noncapital financing activities | 32,910,642 | 16,673,324 | 1,422,698 | 51,006,664 | (5,220) |
| **Cash Flows from Capital and Related Financing Activities** | | | | | |
| Principal repayments on long-term debt | (475,594) | -- | -- | (475,594) | -- |
| Capital contributions | 427,011 | 1,550,020 | -- | 1,977,031 | -- |
| Debt issued | 736,485 | -- | -- | 736,485 | |
| Interest repayments related to capital purposes | (151,452) | -- | -- | (151,452) | -- |
| Proceeds from sale of capital assets | 229,000 | -- | -- | 229,000 | -- |
| Payments related to the acquisition of capital assets | (1,311,546) | (1,202,366) | (878,543) | (3,392,455) | -- |
| Net cash provided (used) by capital and related financing activities | (546,096) | 347,654 | (878,543) | (1,076,985) | -- |
| **Cash Flows from Investing Activity** | | | | | |
| Interest and investments earnings received | 28,475 | 70,763 | 59,753 | 158,991 | -- |
| Net increase (decrease) in cash and cash equivalents | 406,696 | (1,717,453) | (124,029) | (1,434,786) | (186,989) |
| Cash and cash equivalents, beginning of year | 9,838,867 | 7,116,659 | 1,926,942 | 18,882,468 | 23,539,822 |
| Cash and cash equivalents, end of year | $ 10,245,563 | $ 5,399,206 | $ 1,802,913 | $ 17,447,682 | $ 23,352,833 |

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, 2010

| | 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) | $ (33,578,575) | $ (18,861,639) | $ (910,381) | $ (53,350,595) | $ (1,590,106) |
| Depreciation | 1,232,558 | 496,948 | 177,739 | 1,907,245 | -- |
| Bad debt written off | (180) | -- | -- | (180) | -- |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (42,872) | (672,616) | -- | (715,488) | -- |
| Prepaid items and other assets | 3,765 | -- | 190,886 | 194,651 | -- |
| Increase (decrease) in: | | | | | |
| Accounts payable | 104,117 | 228,113 | (170,086) | 162,144 | 207,584 |
| Salaries payable | 24,246 | -- | (5,345) | 18,901 | (32,561) |
| Deferred revenue | 99,255 | -- | (11,393) | 87,862 | -- |
| Liability for compensated absences | 41,303 | -- | 643 | 41,946 | -- |
| Other liabilities | 49,058 | -- | -- | 49,058 | -- |
| Other post-employment benefits liability | 81,000 | -- | -- | 81,000 | -- |
| Liability for estimated claims | -- | -- | -- | -- | 1,233,314 |
| **Net Cash Provided (Used) by Operating Activities** | $ (31,986,325) | $ (18,809,194) | $ (727,937) | $ (51,523,456) | $ (181,769) |

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

**COUNTY OF MARIN**

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

| | Investment Trust | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and investments | $ 445,176,290 | $ 27,100,533 |
| Taxes receivable | -- | 30,197,738 |
| Cash with fiscal agent | -- | 1,179,923 |
| Due from other governments | -- | 805,575 |
| Notes receivable | -- | 1,000,000 |
| Other receivables | -- | 1,550 |
| Total current assets | 445,176,290 | 60,285,319 |
| **LIABILITIES** | | |
| Agency funds held for others | -- | 60,285,319 |
| Total liabilities | -- | 60,285,319 |
| **NET ASSETS** | | |
| Net assets held in trust for investment pool participants | 445,176,290 | -- |
| Total net assets | 445,176,290 | -- |
| **Total liabilities and net assets** | $ 445,176,290 | $ 60,285,319 |

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, 2010

| | |
|---|---|
| **Additions:** | |
| Contributions to investment pool | $ 2,088,367,246 |
| Total additions | 2,088,367,246 |
| **Deductions:** | |
| Distributions from investment pool | 2,098,311,108 |
| Total deductions | 2,098,311,108 |
| Change in net assets | (9,943,862) |
| **Net assets, beginning** | 455,120,152 |
| **Net assets, ending** | $ 445,176,290 |

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

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*A. Reporting Entity*

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

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

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

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

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

*A. Reporting Entity (continued)*

The County has the following blended component units with June 30 year-ends and no discretely presented component units:

- 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, 2009.

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.

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

*A. Reporting Entity (continued)*

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

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

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

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

*B.* ***Basis of Presentation***

*Government-Wide Financial Statements*

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

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

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

*B. Basis of Presentation (continued)*

Government-Wide Financial Statements (continued)

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

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

*Fund Financial Statements*

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise funds:

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

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

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

*B. Basis of Presentation (continued)*

*Fund Financial Statements* (continued)

The County reports the following additional fund types:

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

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

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

*C. Basis of Accounting*

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

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

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

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

*C. Basis of Accounting (continued)*

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

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

*D. Non-Current Governmental Assets/Liabilities*

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

*E. Cash and Cash Equivalents*

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

*F. Receivables*

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

*G. Inventories*

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

*H. Prepaid Expenses*

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

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

### *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 2009-10, General Fund records an estimated unsecured property taxes receivable of $791,477; and Agency Fund records an estimated supplemental secured taxes receivable of $355,837.

### *J. Long-Term Receivables*

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

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

### *K. Capital Assets*

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

The estimated useful lives are as follows:

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

### *L. Compensated Absences*

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

### *M. Inter-fund Transactions*

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

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

*M. Inter-fund Transactions (continued)*

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

*N. Estimates*

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

*O. Net Assets and Fund Balances*

In the government-wide financial statements, net assets are classified as follows:

– *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).

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative plans that are subject to change.

## NOTE 2: CASH AND INVESTMENTS

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

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

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

The County Pool has been rated since 1994 by Fitch Ratings and has maintained the highest rating of ‘AAA’ since inception. The pool’s ‘AAA’ rating reflects the high credit quality of portfolio assets, appropriate management oversight, and operational capabilities. In addition, Fitch ratings rate the pool ‘V1’ for volatility. The Fund Volatility Rating has been revised to V1 from V1+ solely as a result of Fitch eliminating the V1+ rating from its Fund Volatility Rating scale. 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.

**NOTE 2: CASH AND INVESTMENTS,** Continued

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, 2010, consist of the following:

| | |
|---|---|
| Cash and Investments in County Pool | |
| Cash | $ 15,093,972 |
| Investments | 789,963,321 |
| Specific investment in treasury | 515,453 |
| | 805,572,746 |
| Less outstanding warrants and other reconciling items | (21,241,762) |
| Total Cash and Investments in County Pool | 784,330,984 |
| Cash and Investments Outside County Pool | |
| Other deposits | 5,749,813 |
| Investments of blended component unit | 4,495,750 |
| Investments with fiscal agent | 6,101,216 |
| Deposits with fiscal agent | 182,811 |
| Total Cash and Investments | $ 800,860,574 |

Total cash and investments at June 30, 2010 were presented on the County's financial statements as follows:

| | |
|---|---|
| Primary Government | $ 327,403,828 |
| Investment Trust Fund | 445,176,290 |
| Agency Funds | 28,280,456 |
| | $ 800,860,574 |

## NOTE 2: CASH AND INVESTMENTS, Continued

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.

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

At June 30, 2010, the County had the following investments:

| | Interest Rates | Maturities | Par Value | Fair Value | Book Carrying Value | WAM (Years) |
|---|---|---|---|---|---|---|
| **Pooled Investments** | | | | | | |
| Federal Agencies | .05% -3.4% | 7/1/10-6/28/13 | $ 770,147,000 | $ 771,119,832 | $ 769,712,294 | 0.79 |
| Money Market | Variable | On Demand | 20,018,267 | 20,018,267 | 20,018,267 | -- |
| California Local Agency Investment Fund (LAIF) | Variable | On Demand | 232,760 | 232,760 | 232,760 | -- |
| **Total pooled investments** | | | $ 790,398,027 | $ 791,370,859 | $ 789,963,321 | 0.77 |
| **Specific Investments in Treasury** | | | | | | |
| California Local Agency Investment Fund (LAIF) | Variable | On Demand | $ 515,453 | $ 515,453 | $ 515,453 | -- |
| | | | $ 515,453 | $ 515,453 | $ 515,453 | |
| **Investments Outside Investment Pool** | | | | | | |
| *Cash held with fiscal agent* | | | | | | |
| Money Market Mutual Funds | Variable | On Demand | $ 3,433,246 | $ 3,433,246 | 3,433,246 | -- |
| Investment Contracts | 4.77% | 6/1/47 | 2,667,970 | 2,667,970 | 2,667,970 | 36.92 |
| | | | 6,101,216 | 6,101,216 | 6,101,216 | 16.14 |
| *Investments of Blended Component Units* | | | | | | |
| California Local Agency Investment Fund (LAIF) | Variable | On Demand | 4,495,750 | 4,495,750 | 4,495,750 | -- |
| **Total investments outside investment pool** | | | $ 10,596,966 | $ 10,596,966 | $ 10,596,966 | |

**NOTE 2: CASH AND INVESTMENTS,** Continued

At June 30, 2010, the difference between the book and fair value of cash and investments was not material (book value was 99.8% 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, 2010, the County Treasury's investment pool had a weighted average maturity of .77 years, or approximately 9.24 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, 2010, 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, 2010, 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 Mortgage Corp. | 29.25% |
| Federal National Mortgage Association | 30.76% |
| Federal Home Loan Bank | 32.82% |

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, 2010.

**NOTE 2: CASH AND INVESTMENTS,** Continued

| | S&P | Moody's | % of Portfolio |
|---|---|---|---|
| **Investments in Investment Pool** | | | |
| Federal Agencies Coupon | AAA | Aaa | 33.07% |
| Federal Agencies Discount | A-1+ | P-1 | 61.65% |
| Federal Agencies Discount-Fed Agric Mtg Corp* | Unrated | Unrated | 2.72% |
| Money Market Mutual Funds | AAA | Aaa | 2.53% |
| California Local Agency Investment Fund (LAIF) | Unrated | Unrated | 0.03% |
| | | | 100.00% |

*The Federal Agricultural Mortgage Corporation is a government-sponsored enterprise. While not rated, its charter allows for the U.S. Treasury to provide up to $1.5 billion in loans to support the guarantees the company extends on farm loans.

Custodial Credit Risk

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. 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, 2010, the County's pooled investment position in the State of California Local Agency Investment Fund (LAIF) was $748,213 which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was $69.39 billion. Of that amount, 94.58% was invested in non-derivative financial products and 5.42% 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 $7.7 million is restricted as to use by grantors.

## NOTE 2: CASH AND INVESTMENTS, Continued

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2010:

**Statement of Net Assets**

| | |
|---|---|
| Net assets held for pool participants | $ 784,330,984 |
| | |
| Equity of internal pool participants | $ 339,154,694 |
| Equity of external pool participants | 445,176,290 |
| Total net assets | $ 784,330,984 |

**Statement of Changes in Net Assets**

| | |
|---|---|
| Net assets, beginning of year | $ 764,475,579 |
| Net change in investments by pool participants | 19,855,405 |
| Net assets, end of year | $ 784,330,984 |

## NOTE 3: NOTES RECEIVABLE

Notes receivable consists of following activities:

| | Balance July 1, 2009 | Notes Issued | Repayments | Loans Forgiven | Balance June 30, 2010 |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| **General Fund:** | | | | | |
| Loans issued to Marin Health Care District. The loan which was paid back on 7/1/2010 was to assist the District with temporary cash flow. | $ 4,500,000 | $ 8,000,000 | $ -- | $ -- | $ 12,500,000 |
| Amounts due from cities and towns for overpayment of court fines and fees. Amounts are being paid back over a five year period at an annual interest rate of 3.8%. Final payments are due November 2011. | 1,530,779 | -- | (632,210) | -- | 898,569 |
| Marin Energy Authority has received an interest free loan to aid in initial business development. Due to the loan having no due date, fund balance reserves have been set aside for the full value of the loan. (In addition the County has guaranteed a $950,000 loan to MEA from River City Bank). | 330,000 | 210,000 | -- | -- | 540,000 |
| Short-term financing for an Adult Day Care Program paid back on July 21, 2010. | 66,669 | -- | -- | -- | 66,669 |
| **Subtotal General Fund** | 6,427,448 | 8,210,000 | (632,210) | -- | 14,005,238 |

## NOTE 3: NOTES RECEIVABLE, Continued

| | Balance July 1, 2009 | Notes Issued | Repayments | Loans Forgiven | Balance June 30, 2010 |
|---|---|---|---|---|---|
| **Other Governmental Funds:** | | | | | |
| The County's Redevelopment Agency has provided long-term financing to numerous local-based non-profit organizations for aforable housing construction and rehabilitiation. These notes are due at various time frames through 2066. Given the long-term nature of these loans, fund balance reserves have been set-aside for the full amount of the loans. | 6,911,660 | -- | -- | (760,000) | 6,151,660 |
| **Total Governmental Activities** | $ 13,339,108 | $ 8,210,000 | $ (632,210) | $ (760,000) | $ 20,156,898 |

| | Balance January 1, 2009 | Notes Issued | Repayments | Loans Forgiven | Balance December 31, 2009 |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| **Marin Housing Authority** | | | | | |
| Marin Housing Authority manages a portfolio for lending programs to assist qualified homeowners and renters with rehabilitation expenses, down payments on home purchases, and rental security deposits. | $ 3,900,484 | $ 614,838 | $ (329,716) | $ (46) | 4,185,560 |

## 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, 2010, the various components of deferred revenue for governmental funds were as follows:

| | Unavailable | Unearned | Total |
|---|---|---|---|
| **Governmental activities:** | | | |
| **General Fund:** | | | |
| Courts notes receivable | $ 898,569 | $ -- | $ 898,569 |
| Reimbursable grants | -- | 1,333,555 | 1,333,555 |
| Property taxes | 791,477 | -- | 791,477 |
| Advances from other governments | -- | 1,903,778 | 1,903,778 |
| Fees for services | -- | 133,192 | 133,192 |
| | 1,690,046 | 3,370,525 | 5,060,571 |
| **Other Governmental Funds:** | | | |
| Reimbursable grants | -- | 528,119 | 528,119 |
| Advances from other governments | -- | 58,384 | 58,384 |
| Fees for services | -- | 43,230 | 43,230 |
| Total Governmental Activities | $ 1,690,046 | $ 4,000,258 | $ 5,690,304 |
| **Business-type Activities** | | | |
| Advances from other governments | $ -- | $ 839,442 | $ 839,442 |
| Fees for services | -- | 247,542 | 247,542 |
| Prepaid rents | -- | 180,922 | 180,922 |
| Total Business-type Activities | $ -- | $ 1,267,906 | $ 1,267,906 |

## NOTE 5: INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2010, is as follows:

### Due to other funds

| Receivable fund | Payable fund | Amount | Purpose |
|---|---|---|---|
| General Fund | Flood Control Zones | $ 520,000 | Current portion of loan to Flood Controls Zone #1 for creek corridor modifications and dredging projects. |
| | Flood Control Zones | 166,666 | Temporary loan to Flood Control Zone #7 for water pump station replacement. |
| | Flood Control Zones | 93,955 | Temporary loan to Flood Control Zone #9 to cover a short term operational deficit. |
| | Other Governmental Funds | 463,083 | Temporary loans to the Retirement Operations and HUD Fund to cover short term operational deficit. |
| | Nonmajor Enterprise Funds | 425,000 | Temporary loan to the Marin County Fair to cover a short term operational deficit |
| | | $ 1,668,704 | |

### Advances to other funds

| Receivable fund | Payable fund | Amount | Purpose |
|---|---|---|---|
| General Fund | Flood Control Zones | $ 1,560,000 | Long-term portion of the loan made to Flood Control Zone #1 for creek corridor modification and dredging projects. |
| Other Governmental Funds | Other Governmental Funds | 45,400 | Loan made to County's Environmental Health program for waste water sewage modernization project. |
| | | $ 1,605,400 | |

## NOTE 5: INTERFUND TRANSACTIONS, Continued

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 | Nonmajor Governmental Funds | $ 11,510,161 | To fund capital projects |
| | | 1,916,106 | To fund operations |
| | | 5,472,705 | Pension obligation contributions |
| | | 2,735,000 | To pay for debt service |
| | Nonmajor Enterprise Funds | 10,000 | To fund operations |
| | | 21,643,972 | |
| Nonmajor Governmental Funds | General Fund | 4,148,392 | To reimburse the County for cost of fire services related to special assessments |
| | | 1,497,121 | Transfer from special revenue funds |
| | | 927,674 | To return unspent contributions to the General Fund |
| | | 554,500 | To reimburse the County for cost of fire related to special assessments for County Service Area # 31 |
| | | 494,885 | To purchase specialized equipment |
| | | 227,000 | To reimburse the County for cost of the West marin Paramedic Services for County Service Area #28 |
| | | 220,047 | To reimburse the County for costs related to planning services |
| | | 112,000 | To recognize vehicle theft revenue |
| | | 78,056 | To fund records modernization |
| | | 60,354 | To reimburse the County for overhead expenses |
| | | 50,000 | To fund a traffic impact study |
| | | 20,000 | To fund West Marin Public Information center |
| | Nonmajor Governmental Funds | 2,171,000 | To pay for debt service |
| | | 620,251 | Tax set-aside for Housing |
| | | 582,678 | Pension obligation contributions |
| | | 203,501 | To cover administrative expenses |
| | | 166,212 | To fund operations |
| | Flood Control | 34 | To fund operations |
| | | 12,133,705 | |
| Flood Control | General Fund | 17 | To fund operations |
| | | 17 | |
| Internal Service Funds | Nonmajor Governmental Funds | 4,114 | Pension obligation contributions |
| | General Fund | 1,106 | To return prior year's interest income |
| | | 5,220 | |
| Nonmajor Enterprise Funds | Nonmajor Governmental Funds | 2,952 | Pension obligation contributions |
| | Total | $ 33,785,866 | |

## NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

| | Audited Balance 6/30/09 | Additions | Deletions | Adjustments/ Transfers | Audited Balance 6/30/10 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 22,057,965 | $ 4,500 | $ (650,000) | $ (160,000) | $ 21,252,465 |
| Infrastructure land | 1,204,963,424 | -- | -- | -- | 1,204,963,424 |
| Easements | 2,699,188 | -- | -- | -- | 2,699,188 |
| Construction in progress | 8,324,116 | 3,419,167 | -- | (5,666,283) | 6,077,000 |
| Total capital assets, not being depreciated | 1,238,044,693 | 3,423,667 | (650,000) | (5,826,283) | 1,234,992,077 |
| Capital assets, being depreciated: | | | | | |
| Structures and improvements | 196,411,007 | -- | -- | 4,025,586 | 200,436,593 |
| Equipment | 45,068,497 | 1,125,956 | (1,497,945) | 1,134,192 | 45,830,700 |
| Infrastructure | 298,241,897 | -- | -- | 472,672 | 298,714,569 |
| Total capital assets, being depreciated | 539,721,401 | 1,125,956 | (1,497,945) | 5,632,450 | 544,981,862 |
| Less accumulated depreciation for: | | | | | |
| Structures and improvements | (80,474,366) | (10,343,555) | -- | (400) | (90,818,321) |
| Equipment | (34,504,538) | (3,309,658) | 1,478,163 | 2,257 | (36,333,776) |
| Infrastructure | (236,082,489) | (9,892,700) | -- | -- | (245,975,189) |
| Total accumulated depreciation | (351,061,393) | (23,545,913) | 1,478,163 | 1,857 | (373,127,286) |
| Total capital assets, being depreciated, net | 188,660,008 | (22,419,957) | (19,782) | 5,634,307 | 171,854,576 |
| Governmental activities capital assets, net | $ 1,426,704,701 | $ (18,996,290) | $ (669,782) | $ (191,976) | $ 1,406,846,653 |
| **Business-Type Activities** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 7,049,682 | $ 30,331 | $ (66,248) | $ -- | $ 7,013,765 |
| Construction in progress | 2,284,632 | 1,467,334 | -- | (631,863) | 3,120,103 |
| Total capital assets, not being depreciated | 9,334,314 | 1,497,665 | (66,248) | (631,863) | 10,133,868 |
| Capital assets, being depreciated: | | | | | |
| Structures and improvements | 43,160,777 | -- | (156,158) | 631,863 | 43,636,482 |
| Equipment | 3,517,454 | 1,334,954 | (131,006) | (17,056) | 4,704,346 |
| Other property | 3,426,892 | -- | -- | 23,899 | 3,450,791 |
| Total capital assets, being depreciated | 50,105,123 | 1,334,954 | (287,164) | 638,706 | 51,791,619 |
| Less accumulated depreciation for: | | | | | |
| Structures and improvements | (23,046,714) | (1,252,904) | 20,496 | -- | (24,279,122) |
| Equipment | (1,707,991) | (560,294) | 128,430 | 61,493 | (2,078,362) |
| Other property | (1,070,447) | (94,047) | -- | (23,899) | (1,188,393) |
| Total accumulated depreciation | (25,825,152) | (1,907,245) | 148,926 | 37,594 | (27,545,877) |
| Total capital assets, being depreciated, net | 24,279,971 | (572,291) | (138,238) | 676,300 | 24,245,742 |
| Business-type activities capital assets, net | $ 33,614,285 | $ 925,374 | $ (204,486) | $ 44,437 | $ 34,379,610 |

## NOTE 6: CAPITAL ASSETS, Continued

### Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| **Governmental activities:** | |
| General Government | $ 12,165,188 |
| Public Protection | 1,194,455 |
| Public Ways & Facilities | 9,695,030 |
| Health and Sanitation | 113,531 |
| Public Assistance | 16,539 |
| Recreation | 238,782 |
| Education | 122,388 |
| Total Depreciation Expense – Governmental Activities | $ 23,545,913 |

| | |
|---|---|
| **Business-type activities:** | |
| Housing Authority | $ 1,232,558 |
| County Fair | 73,745 |
| Airport | 103,994 |
| Transit | 496,948 |
| Total Depreciation Expense – Business-Type Activities: | $ 1,907,245 |

## NOTE 7: RISK MANAGEMENT

<u>Workers' Compensation</u>

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, 2010, the program is funded at the 80% confidence level.

The actuarially determined outstanding claims liability including incurred but not reported claims, at 80 % confidence level at June 30, 2010 is $19,923,000.

## NOTE 7: RISK MANAGEMENT, Continued

Workers' Compensation (continued)

The changes in the balance of claims liabilities are as follows:

**Worker's Compensation**

| | 2010 | 2009 |
|---|---|---|
| Liability Balance, Beginning of Fiscal Year | $ 18,613,000 | $ 17,781,000 |
| Current year claims and changes in estimates | 4,680,426 | 3,513,118 |
| Claim payments | (3,386,808) | (2,681,118) |
| Liability Balance, End of Fiscal Year | $ 19,906,618 | $ 18,613,000 |

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, 2010, the program is funded above the 90% confidence level.

The actuarially determined outstanding claims liability including incurred but not reported claims, at 80 % confidence level at June 30, 2010 is $5,658,000.

The changes in the balance of claims liabilities are as follows:

**General Liability**

| | 2010 | 2009 |
|---|---|---|
| Liability Balance, Beginning of Fiscal Year | $ 5,172,000 | $ 4,339,000 |
| Current year claims and changes in estimates | 719,904 | 1,695,000 |
| Claim payments | (233,904) | (862,000) |
| Liability Balance, End of Fiscal Year | $ 5,658,000 | $ 5,172,000 |

## NOTE 8: LONG-TERM OBLIGATIONS

The following table summarizes the changes in the County's long-term obligations for the fiscal year ended June 30, 2010:

| | Balance July 1, 2009 | Additions | Deletions | Adjustments | | Balance June 30, 2010 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | | |
| Bonds Payable | | | | | | | |
| Revenue bonds payable | $ 11,390,000 | $ -- | $ 310,000 | $ -- | | $ 11,080,000 | $ 340,000 |
| Taxable pension obligation bonds 2003 | 112,755,000 | -- | 430,000 | -- | | 112,325,000 | 845,000 |
| Tobacco settlement asset-backed bonds - 2007 | 49,247,833 | -- | 690,000 | 606,789 | * | 49,164,622 | 450,778 |
| Less: unamortized discount | (746,309) | -- | (62,193) | -- | | (684,116) | -- |
| Subtotal - Bonds Payable | 172,646,524 | -- | 1,367,807 | 606,789 | | 171,885,506 | 1,635,778 |
| Loans payable | 2,398,166 | 681,600 | 69,234 | 51,002 | * | 3,061,534 | 71,881 |
| Certificates of Participation: | | | | | | | |
| Certificates of participation 2001 | 12,560,000 | -- | 315,000 | -- | | 12,245,000 | 330,000 |
| Certificates of participation 1998 Series A | 17,670,000 | -- | 880,000 | -- | | 16,790,000 | 915,000 |
| Certificates of participation 1998 Series B | 5,775,000 | -- | 2,050,000 | -- | | 3,725,000 | 2,135,000 |
| | 36,005,000 | -- | 3,245,000 | -- | | 32,760,000 | 3,380,000 |
| Capital leases payable | 882,165 | -- | 324,613 | -- | | 557,552 | 291,426 |
| Compensated absences | 13,669,168 | 11,571,161 | 10,965,902 | -- | | 14,274,427 | 11,766,722 |
| Claims liability | 23,785,000 | 5,400,330 | 3,620,712 | -- | | 25,564,618 | -- |
| Total Governmental Activities Long-term liabilities | $ 249,386,023 | $ 17,653,091 | $ 19,593,268 | $ 657,791 | | $ 248,103,637 | $ 17,145,807 |
| **Business-type Activities** | | | | | | | |
| Notes payable - HCD | $ 2,861,319 | $ -- | $ -- | $ -- | | $ 2,861,319 | $ -- |
| Mortgages payable - Housing | 2,214,230 | -- | 125,673 | -- | | 2,088,557 | 79,651 |
| Housing loans from other governmental agencies | 31,452 | 635,017 | 31,452 | 89,281 | | 724,298 | 724,298 |
| Compensated absences | 233,847 | 102,826 | 53,743 | -- | | 282,930 | 77,252 |
| Total Business-type Activities Long-term liabilities | $ 5,340,848 | $ 737,843 | $ 210,868 | $ 89,281 | | $ 5,957,104 | $ 881,201 |

* Accretion expense on loan

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

## NOTE 8: LONG-TERM OBLIGATIONS, Continued

The following table summarizes the County's long-term obligations as of June 30, 2010:

| | Maturity | Stated/Effective Interest Rates | Annual Principal Installments | Date of Issue | Amount Authorized | Outstanding June 30, 2010 |
|---|---|---|---|---|---|---|
| **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 | 16,790,000 |
| 1998 Series B (advance refund of outstanding 1991 Certificates) | 2011 | 4.00%-5.00% | $1,615,000 - $2,135,000 | 1998 | 22,110,000 | 3,725,000 |
| 2001 Issue (finance capital improvement projects) | 2032 | 4.70%-7.00% | $215,000 - $880,000 | 2001 | 14,100,000 | 12,245,000 |
| **Certificates of Participation Subtotal** | | | | | 60,935,000 | 32,760,000 |
| **Revenue Bonds:** | | | | | | |
| 1998 Refunding Revenue bonds - Marin County Redevelopment Agency | 2025 | 4.00%-5.50% | $160,000 - $1,320,000 | 1998 | 13,425,000 | 11,080,000 |
| **Pension Obligation Bonds:** | | | | | | |
| Taxable Pension Obligation Bonds Series A (fund pension liabilit | 2027 | 4.60%-5.41% | $50,000-$14,940,000 | 2003 | 112,805,000 | 112,325,000 |
| **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 | 49,164,622 |
| Unamortized discount & issuance costs | | | | | (932,888) | (684,116) |
| **Loans Payable:** | | | | | | |
| Energy Conservation Loan | 2019 | 3.95% | $12,102-$21,517 | 2019 | 233,120 | 158,698 |
| California Housing Finance Agency #1 | 2013 | 3.00% | Due on Maturity | 2003 | 500,000 | 621,154 |
| California Housing Finance Agency #2 | 2014 | 3.00% | Due on Maturity | 2004 | 950,000 | 1,129,914 |
| Energy Resource Conservation - Solar Panels | 2023 | 4.50% | $28,373-$49,287 | 2009 | 553,345 | 497,331 |
| I Bank Loan | 2027 | 3.29% | $47,681 - $49,088 | 2009 | 681,600 | 654,437 |
| **Loans Payable Subtotal** | | | | | 2,918,065 | 3,061,534 |
| **Capital Leases:** | | | | | | |
| SAP Servers | 2011 | 4.04% | $167,090-$195,772 | 2006 | 905,735 | 195,772 |
| CISCO Network | 2013 | 3.17% | $34,643-$39,249 | 2008 | 184,549 | 114,165 |
| Server Upgrade | 2014 | 3.47% | $56,798-$65,109 | 2008 | 304,413 | 247,615 |
| **Capital Leases Subtotal** | | | | | 1,394,697 | 557,552 |
| Compensated absences | | | | | 14,274,427 | 14,274,427 |
| Claims liabilities | | | | | 25,564,618 | 25,564,618 |
| **Total Governmental Activities Long-term Liabilities** | | | | | $ 280,254,000 | $ 248,103,637 |
| **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 | 968,520 |
| Housing | 2011 | 5-8% | Various | 1999 | 1,165,214 | 1,120,037 |
| Mortgages Payable Subtotal | | | | | 2,365,214 | 2,088,557 |
| Loans to other governmental agencies | 2011 | 0.00% | Various | 2010 | 724,298 | 724,298 |
| Compensated absences | | | | | 282,930 | 282,930 |
| **Total Business-type Activities Long-term Liabilities** | | | | | $ 6,233,761 | $ 5,957,104 |

## NOTE 8: LONG-TERM OBLIGATIONS, Continued

As of June 30, 2010, annual debt service requirements of governmental activities to maturity are as follows:

| | Governmental Activities | | | | | |
|---|---|---|---|---|---|---|
| Year Ending | Bonds Payable | | Certificates of Participation | | Loans Payable | |
| June 30: | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | 1,635,778 | 8,416,170 | 3,380,000 | 1,467,096 | 71,881 | 49,295 |
| 2012 | 2,039,375 | 8,330,192 | 3,535,000 | 1,314,721 | 74,559 | 46,519 |
| 2013 | 2,598,756 | 8,224,784 | 1,365,000 | 1,205,731 | 698,639 | 94,298 |
| 2014 | 3,210,778 | 8,091,587 | 1,425,000 | 1,143,241 | 80,458 | 40,419 |
| 2015 | 3,843,700 | 7,926,458 | 1,500,000 | 1,076,449 | 1,213,461 | 184,031 |
| 2016-2020 | 31,267,866 | 35,747,826 | 8,675,000 | 4,203,591 | 447,137 | 133,899 |
| 2021-2025 | 58,383,747 | 24,171,961 | 7,540,000 | 1,973,757 | 340,893 | 50,566 |
| 2026-2030 | 35,270,000 | 8,505,849 | 3,625,000 | 854,243 | 134,507 | 6,927 |
| 2031-2035 | 5,700,000 | 5,518,250 | 1,715,000 | 82,532 | -- | -- |
| 2036-2057 | 28,619,622 | 188,320,376 | -- | -- | -- | -- |
| Subtotal | 172,569,622 | 303,253,453 | 32,760,000 | 13,321,361 | 3,061,535 | 605,954 |
| Less Unamortized Discount | (684,116) | -- | -- | -- | -- | -- |
| | $ 171,885,506 | $ 303,253,453 | $ 32,760,000 | $ 13,321,361 | $ 3,061,535 | $ 605,954 |

| | Business-Type Activities | | Business-Type Activities | |
|---|---|---|---|---|
| Year Ending | Mortgages Payable | | Other Governments | |
| Dec 31: | Principal | Interest | Principal | Interest |
| 2010 | $ 79,651 | $ 137,757 | $ 724,298 | $ -- |
| 2011 | 85,144 | 132,264 | -- | -- |
| 2012 | 965,970 | 111,332 | -- | -- |
| 2013 | 871,760 | 61,373 | -- | -- |
| 2014 | 65,793 | 57,182 | -- | -- |
| 2015-2019 | 402,516 | 212,359 | -- | -- |
| 2020-2024 | 427,881 | 59,464 | -- | -- |
| Total | $ 2,898,715 | $ 771,731 | $ 724,298 | $ -- |

**NOTE 8: LONG-TERM OBLIGATIONS,** Continued

Capital Lease Obligation

The County leases equipment, primarily for data processing and elections under lease obligations accounted for as capital leases. Included in the governmental funds are the following fixed asset amounts under capital leases:

| | Governmental Activities |
|---|---|
| Equipment | $ 1,275,014 |
| Less: Accumulated depreciation | (872,873) |
| | $ 402,141 |

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, 2010:

| Year Ending June 30: | Governmental Activities |
|---|---|
| 2011 | 311,545 |
| 2012 | 107,864 |
| 2013 | 107,863 |
| 2014 | 67,369 |
| Total Debt Service Requirements | 594,641 |
| Less Amount Representing Interest | 37,089 |
| Present Value of Remaining Payments | $ 557,552 |

**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 & Equipment | Total |
|---|---|---|---|
| 2011 | 2,178,717 | 491,675 | 2,670,392 |
| 2012 | 1,489,464 | 153,196 | 1,642,660 |
| 2013 | 1,141,859 | 96,773 | 1,238,632 |
| 2014 | 1,014,409 | 6,410 | 1,020,819 |
| 2015 | 852,542 | 2,147 | 854,689 |
| 2016-2020 | 879,894 | -- | 879,894 |
| 2021-2046 | 200,656 | -- | 200,656 |
| Total | $ 7,757,541 | $ 750,201 | $ 8,507,742 |

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, 2010, outstanding general obligation bonds in the amount of $25,940,000 are considered defeased.

**NOTE 9: 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.

## NOTE 9: EMPLOYEES' RETIREMENT PLAN, Continued

### 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 4.25% per year.

– Cost of Living Adjustment is capped maximum at 4.0%

– Rate of salary increase is assumed to be 3.5% 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, 2009, the County's annual pension cost was $36,638,000.

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 (unfunded actuarial accrued liability) over a period of 17 years as a level percentage of payroll. This includes amortization of the unfunded present value of credited projected benefits.

A number of assumptions were changed as a result of the recent Experience Study, which covered the period from 2006-2008. Among the assumption changes implemented were new service retirement and termination rates, more conservative mortality assumptions, and reductions in the assumed rates of asset growth (from 8.00% to 7.75%), pay inflation (from 4.0% to 3.5%) and COLA increases (based on the maximum increase).

### Three-Year Trend Information (in thousands)

| Year Ending June 30: | Annual Pension Cost (APC) | Percentage of APC Contributed |
|---|---|---|
| 2009 | $ 36,638 | 100.0% |
| 2008 | 39,656 | 100.0% |
| 2007 | 42,416 | 100.0% |

## NOTE 9: EMPLOYEES' RETIREMENT PLAN, Continued

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

| | |
|---|---|
| Net pension asset, beginning of year | $ 84,603,740 |
| Net pension asset, end of year | $ 79,903,530 |

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 |
|---|---|---|---|---|---|---|
| 2009 | $ 1,002,218 | $ 1,350,528 | $ 348,310 | 74.21% | $ 178,027 | 195.65% |
| 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% |

## NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

*A. Plan Description*

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

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

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

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

**NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN,** Continued

– 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 2009/10, the County contributed $10,078,144 in premium payments for retirees.

In addition, the County is studying various options for funding the Plan and has annually designated a portion of the General Fund's fund balance for that purpose, accumulating $17,000,000 as of June 30, 2010.

*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.

**NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN,** Continued

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

| | |
|---|---|
| Annual required contribution | $ 26,475,000 |
| Interest on net OPEB obligation | 2,843,080 |
| Adjustment to annual required contribution | (2,521,000) |
| Annual OPEB cost (expense) | 26,797,080 |
| Contributions made | (10,078,144) |
| Increase in net OPEB obligation | 16,718,936 |
| Net OPEB obligation - beginning of year | 63,179,549 |
| Net OPEB obligation - end of year | $ 79,898,485 |

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 |
|---|---|---|---|
| 2010 | 26,797,080 | 37.61% | 79,898,485 |
| 2009 | 42,833,850 | 25.75% | 63,179,549 |
| 2008 | 41,265,000 | 24.00% | 31,377,000 |

## NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN, Continued

*D. Funded Status*

The funded status of the plan based on the most recent actuarial valuation as of July 1, 2009, is as follows:

| | |
|---|---|
| Actuarial Accrued Liability (AAL) | $ 359,934,000 |
| Actuarial Value of Plan Assets | -- |
| Unfunded Actuarial Accrued Liability (UAAL) | 359,934,000 |
| Funded Ratio (Actuarial value of plan assets/AAL) | 0% |
| Covered Payroll (active plan members) | 161,948,000 |
| UAAL as a Perctentage of Covered Payroll | 222.25% |

*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.

Assumptions have been updated based on new actuarial assumptions adopted by the Marin County Employees Retirement Association in October of 2009. The assumptions changes include lowering the assumed future inflation rate from 4.0% to 3.5%, and updating mortality tables and probabilities of retirement and termination based on 2006-2009 experience. For consistency with the lowering of the inflation assumption, the interest rate in this valuation was lowered from 5.0% to 4.5%; the long-term medical trend rate was lowered from 6.0% to 5.5%; and the Medicare B and dental trend rates were lowered by 0.50%.

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

**NOTE 10: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN,** Continued

*E. Actuarial Methods and Assumptions (continued)*

Schedule of Funding Progress Postemployment Healthcare Plan (in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 7/1/09 | -- | $ 359,934 | $ 359,934 | 0.00% | $ 161,948 | 222.25% |
| 7/1/05 | -- | 310,945 | 310,945 | 0.00% | 129,763 | 239.63% |

**NOTE 11: COMMITMENTS AND CONTINGENT LIABILITIES**

Construction Commitments

At June 30, 2010, the County had ongoing construction commitments that totaled approximately $13 million.

Other

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 12: RESTRICTED NET ASSETS**

Restricted Net Assets are assets that are subject to constraints either 1) externally imposed by creditors, grantors, contributors, or 2) laws or regulations of other governments, or imposed by law through constitutional provision or enabling legislation.

At June 30, 2010, the County's total restricted net assets are $113.5 million. Of this amount, $1.8 million are raised by enabling legislation, County's Ordinance 3348, establishing a fee schedule for all new PM-Peak Hour trips in and out of six benefit zones. Details of these restricted net assets are:

## NOTE 12: RESTRICTED NET ASSETS, Continued

| | | |
|---|---|---|
| 1. | *Tamalpais Community Plan Area:* | $ 294,159 |
| *2.* | *Strawberry Interchange (US 101/SR 131):* | 222,758 |
| *3.* | *West Sir Francis Drake Boulevard:* | 64,599 |
| *4.* | *Northgate Activity Center Plan area:* | 332,371 |
| *5.* | *Atherton Avenue Interchange:* | 383,706 |
| *6.* | *Lucasfilm Traffic Impact Fee:* | 232,088 |
| *7.* | *Miscellaneous Traffic Impact Fee:* | 3,106 |
| *8.* | *Seminary Drainage Improvement:* | 263,843 |

## NOTE 13: EXCESS EXPENDITURES OVER APPROPRIATIONS

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

| | |
|---|---|
| Special Revenue Fund - Other | $ 248,392 |
| General Fund - Other | 6,383,304 |

The excess expenditure was created by transfers in excess of budget, however, total general fund expenditures were less than budget. The County is preparing “preventative controls” to disallow excess transfers in the future.

## NOTE 14: SUBSEQUENT EVENTS

### Issuance of Debt

On October 13, 2010, the County of Marin issued $61,540,000 in new Certificates of Participation. The proceeds from these funds are restricted to first refund the outstanding 1998 Certificates of Participation, series A&B (17.7 million), with the remainder $40.7 million after reserves and costs of issuance will be used to finance future capital improvement projects, such as the Emergency Operations Facility which will cost approximately $60 million dollars. The 2010 Certificates require an annual debt service of $4 million dollars which approximates the current annual debt service requirements of the 1998 Certificates. The 2010 certificates mature in 2040.

### Other

County of Marin had an outstanding receivable in the amount of $540,000 from Marin Energy Authority at June 30, 2010; such receivable has been paid as of January 1, 2011.

Additionally, County of Marin provided at June 30, 2010 a loan guarantee in the amount of $950,000 to River City Bank for Marin Energy Authority which was terminated on January 1, 2011.

## NOTE 15: NEW ACCOUNTING PRONOUNCEMENTS

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. The County will apply the provisions of this statement for year ended June 30, 2011.

# REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY OF MARIN**

Schedule of Funding Progress
For the Year Ended June 30, 2010

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 |
|---|---|---|---|---|---|---|
| 2009 | $ 1,002,218 | $ 1,350,528 | $ 348,310 | 74.21% | $ 178,027 | 195.65% |
| 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% |

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 7/1/09 | -- | $ 359,934 | $ 359,934 | 0.00% | $ 161,948 | 222.25% |
| 7/1/05 | -- | 310,945 | 310,945 | 0.00% | 129,763 | 239.63% |

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 status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

## COUNTY OF MARIN

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 153,229,255 | $ 167,449,569 | $ 166,273,455 | $ (1,176,114) |
| Licenses and permits | 5,314,146 | 5,872,587 | 5,707,638 | (164,949) |
| Intergovernmental revenues | 142,036,156 | 162,257,765 | 150,045,450 | (12,212,315) |
| Charges for services | 41,716,522 | 46,308,692 | 45,217,879 | (1,090,813) |
| Fines and forfeits | 4,613,040 | 6,895,409 | 11,390,281 | 4,494,872 |
| From use of money and property | 4,392,575 | 4,428,945 | 5,072,894 | 643,949 |
| Miscellaneous | 6,259,004 | 7,179,752 | 1,554,577 | (5,625,175) |
| Total Revenues | 357,560,698 | 400,392,719 | 385,262,174 | (15,130,545) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 79,762,350 | 66,450,836 | 50,905,584 | 15,545,252 |
| Public protection | 127,620,012 | 135,458,951 | 131,968,211 | 3,490,740 |
| Public ways and facilities | 2,648,290 | 13,174,123 | 11,510,505 | 1,663,618 |
| Health and sanitation | 89,345,642 | 93,711,704 | 87,119,573 | 6,592,131 |
| Public assistance | 59,015,885 | 63,845,816 | 63,354,750 | 491,066 |
| Education | 895,991 | 1,111,201 | 805,005 | 306,196 |
| Culture and recreation | 8,180,426 | 8,194,470 | 7,718,321 | 476,149 |
| Capital outlay | 2,203,938 | 1,404,669 | 1,104,177 | 300,492 |
| Debt Service | | | | |
| Principal | 44,997 | 44,997 | 42,057 | 2,940 |
| Interest | 30,029 | 30,029 | 30,029 | -- |
| Total Expenditures | 369,747,560 | 383,426,796 | 354,558,212 | 28,868,584 |
| Excess (deficiency) of revenues over (under) expenditures | (12,186,862) | 16,965,923 | 30,703,962 | 13,738,039 |
| Other Financing Sources (Uses): | | | | |
| Inception of capital lease | -- | -- | 96,389 | 96,389 |
| Transfers in | -- | 4,755,097 | 8,391,136 | 3,636,039 |
| Transfers out | -- | (15,260,668) | (21,643,973) | (6,383,305) |
| Total other financing sources (uses) | -- | (10,505,571) | (13,156,448) | (2,650,877) |
| Net change in fund balances | (12,186,862) | 6,460,352 | 17,547,514 | 11,087,162 |
| Fund balances, beginning of year | 171,504,757 | 171,504,757 | 171,504,757 | -- |
| Fund balances, end of year | $ 159,317,895 | $ 177,965,109 | $ 189,052,271 | $ 11,087,162 |

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, 2010

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | | |
| **Revenues:** | | | | |
| Taxes | $ 4,006,200 | $ 4,006,200 | $ 4,633,026 | $ 626,826 |
| Intergovernmental revenues | 253,000 | 253,000 | 63,567 | (189,433) |
| Charges for services | 46,764 | 46,764 | 2,472,472 | 2,425,708 |
| From use of money and property | 291,100 | 291,100 | 183,649 | (107,451) |
| Miscellaneous | 5,400 | 5,400 | 5,456 | 56 |
| Total Revenues | 4,602,464 | 4,602,464 | 7,358,170 | 2,755,706 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public protection | 5,886,104 | 8,488,321 | 5,067,676 | 3,420,645 |
| Capital outlay | 13,000 | 41,800 | 31,769 | 10,031 |
| Total Expenditures | 5,899,104 | 8,530,121 | 5,099,445 | 3,430,676 |
| Excess (deficiency) of revenues over (under) expenditures | (1,296,640) | (3,927,657) | 2,258,725 | 6,186,382 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | -- | -- | 51 | 51 |
| Transfers out | -- | -- | (17) | (17) |
| Total other financing sources (uses) | -- | -- | 34 | 34 |
| Net change in fund balances | (1,296,640) | (3,927,657) | 2,258,759 | 6,186,416 |
| Fund balances, beginning of year | 14,053,233 | 14,053,233 | 14,053,233 | -- |
| Fund balances, end of year | $ 12,756,593 | $ 10,125,576 | $ 16,311,992 | $ 6,186,416 |

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

## BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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