$46,700,000*
COUNTY OF MONTEREY
CERTIFICATES OF PARTICIPATION
(2015 PUBLIC FACILITIES FINANCING)

CERTIFICATE REGARDING FINALITY
OF PRELIMINARY OFFICIAL STATEMENT

The County of Monterey, a county and political subdivision of the State of California organized and existing under and by virtue of the laws of the State of California (the "County"), hereby states and certifies:

(a) that Ron Holly is the duly appointed, qualified and acting Chief Deputy Auditor-Controller of the County, and, as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that this Certificate is delivered in connection with the execution and delivery of the County of Monterey Certificates of Participation (2015 Public Facilities Financing) (the "Certificates"), in order to enable the underwriters of the Certificates to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule");

(c) that in connection with the execution and delivery of the Certificates, there has been prepared a Preliminary Official Statement, dated August 4, 2015 (the "Preliminary Official Statement"), setting forth information concerning the Certificates and the County;

(d) that as used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Certificates depending on such matters, all with respect to the Certificates; and

(e) that the Preliminary Official Statement is, except for Permitted Omissions, deemed final within the meaning of the Rule.

Dated: August 4, 2015

COUNTY OF MONTEREY

By: Ron Holly
Ron Holly
Chief Deputy Auditor-Controller

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*Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 4, 2015

NEW ISSUE – FULL BOOK ENTRY

RATINGS: Fitch: "____"
S&P: "____"
(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest component of the Base Rental Payments paid by the County under the Lease Agreement and received by the owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, such interest component is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest component is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest with respect to, the Certificates. See "TAX EXEMPTION" herein.

$46,700,000*
COUNTY OF MONTEREY
CERTIFICATES OF PARTICIPATION
(2015 PUBLIC FACILITIES FINANCING)

Dated: Date of Delivery **Due: October 1, as shown on inside cover page**

The Certificates evidence direct, fractional undivided interests of the Owners thereof in the Base Rental Payments (which include principal components and interest components) to be made by the County of Monterey, California (the "County") for the use of certain real property (the "Property") pursuant to a Lease Agreement, dated as of August 1, 2015 (the "Lease Agreement"), by and between the County, as lessee, and the County of Monterey Public Improvement Corporation (the "Corporation"), as lessor. The proceeds of the Certificates will be used to (i) finance a portion of the costs of the construction, rehabilitation, renovation, acquisition and installation of certain facilities including improvements at 1441 Schilling Place and renovations of the East and West Wings of the Courthouse, and (ii) pay the costs incurred in connection with the execution and delivery of the Certificates. See "PLAN OF FINANCE." The County has covenanted under the Lease Agreement to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments as a separate line item in its annual budgets, and to make the necessary annual appropriations for all such Rental Payments. See "SECURITY AND SOURCES OF PAYMENT."

The County's obligation to make Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. See "RISK FACTORS – Abatement."

Interest represented by the Certificates is payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2016. See "THE CERTIFICATES" herein. The Certificates will be initially delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of $5,000 and any integral multiple thereof. Principal and interest payments evidenced by the Certificates are payable directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

The Certificates are subject to prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment Provisions."

THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

MATURITY SCHEDULE
See Inside Cover Page

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel to the County. Certain legal matters will be passed upon for the Underwriter by its counsel, Curls Bartling P.C., Oakland, California Certain legal matters will be passed upon for the County by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Disclosure Counsel to the County, and for the County and the Corporation by County Counsel. It is anticipated that the Certificates in definitive form will be available for delivery to DTC in New York, New York on or about August __, 2015.

BARCLAYS

Dated: August __, 2015

* Preliminary, subject to change.

MATURITY SCHEDULE*

$_______ Serial Certificates

CUSIP No.†

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	CUSIP No.

$________ ____% Term Certificates Due October 1, 20__ – Price: ____
$________ ____% Term Certificates Due October 1, 20__ – Price: ____

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* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the County, the Underwriter or their respective agents or counsel assumes responsibility for the accuracy of such numbers.

COUNTY OF MONTEREY, CALIFORNIA

BOARD OF SUPERVISORS

Simón Salinas, *Chair, District Three*
Jane Parker, *Vice Chair, District Four*
Fernando Armenta, *District One*
John Phillips, *District Two*
Dave Potter, *District Five*

COUNTY OFFICIALS

Lew C. Bauman, *County Administrative Officer*
Mary Zeeb, *Treasurer – Tax Collector*
Michael J. Miller, *Auditor – Controller*
Ron Holly, *Chief Deputy Auditor-Controller*
Charles J. McKee, *County Counsel*
Steve Vagnini, *Assessor – Clerk Recorder*

COUNTY OF MONTEREY PUBLIC IMPROVEMENT CORPORATION

BOARD OF DIRECTORS

Michael J. Miller, *President*
Mary Zeeb, *Vice-President*
Dewayne Woods, *Secretary/Treasurer*

SPECIAL SERVICES

Special Counsel and Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Trustee
The Bank of New York Mellon Trust Company, N.A.,
San Francisco, California

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

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

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

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

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

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

The County maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Certificates.

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OFFICIAL STATEMENT

$46,700,000*
COUNTY OF MONTEREY
CERTIFICATES OF PARTICIPATION
(2015 Public Facilities Financing)

INTRODUCTION

This Official Statement (which includes the cover page, inside cover page and Appendices hereto) (this "Official Statement"), provides certain information concerning the sale and delivery of County of Monterey Certificates of Participation (2015 Public Facilities Financing) evidencing direct, fractional undivided interests of the owners thereof in base rental payments to be made by the County of Monterey, California. This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Certificates (as defined herein) to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the same meanings assigned to such terms as set forth therein. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS."

General

This Official Statement is provided to furnish information in connection with the execution, sale and delivery of $46,700,000* aggregate principal amount of Certificates of Participation (2015 Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2015 (the "Trust Agreement"), by and among the County of Monterey (the "County"), the County of Monterey Public Improvement Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Proceeds of the Certificates will be used to (i) fund capital improvements at 1441 Schilling Place (the "Schilling Complex"), (ii) fund renovations of the East and West Wings of the Courthouse (the "Courthouse Complex"), and (iii) pay the costs incurred in connection with the execution and delivery of the Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The County will lease the site of its Schilling Complex, the Courthouse Complex and other County facilities (subject to release) described herein (the "Sites") and the improvements thereon (collectively, the "Facility" and together with the Site, the "Property") to the Corporation pursuant to a Ground Lease, dated as of August 1, 2015 (the "Ground Lease"). The Corporation will sublease the Property back to the County pursuant to a Lease Agreement, dated as of August 1, 2015 (the "Lease Agreement"). See "THE PROPERTY" herein. The Certificates are payable solely from and secured by certain lease payments ("Base Rental Payments") to be made by the County to the Corporation pursuant to the Lease Agreement. The County has covenanted under the Lease Agreement to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments as a separate line item in its annual budgets, and to make the necessary annual appropriations

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* Preliminary, subject to change.

for all such Rental Payments. See "SECURITY AND SOURCES OF PAYMENT" and "THE PROPERTY."

Interest with respect to the Certificates is payable on April 1 and October 1 of each year, commencing April 1, 2016. The Certificates will mature in the amounts and on the dates and bear interest at the rates shown on the inside cover page of this Official Statement. See "THE CERTIFICATES."

The County

The County borders the Pacific Ocean almost at the midpoint of the California coastline, approximately 100 miles south of San Francisco and 240 miles north of Los Angeles. It covers an area of approximately 3,300 square miles, with a population of approximately 425,413 as of January 1, 2015. Agriculture, tourism, and government are major contributors to the County's economy. The County's General Fund budget for Fiscal Year 2014-15 included revenues of approximately $554.5 million and a beginning available unassigned fund balance of approximately $17.6 million. The adopted General Fund budget for Fiscal Year 2014-15 includes revenues of $545.4 million. See "THE COUNTY," "COUNTY FINANCIAL INFORMATION" and APPENDIX A – "GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY."

Security and Sources of Payment

The Certificates will be executed and delivered pursuant to the Trust Agreement and will evidence direct, fractional undivided interests in the Base Rental Payments to be made by the County under the Lease Agreement for the use of the Property. See "THE PROPERTY." The Trustee and the Corporation will enter into an Assignment Agreement, dated as of August 1, 2015 (the "Assignment Agreement"), pursuant to which the Corporation will assign to the Trustee for the benefit of the Certificate Owners all of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement.

The County will covenant under the Lease Agreement to take such action as may be necessary to include all Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. See "SECURITY AND SOURCES OF PAYMENT – Sources of Funds for Rental Payments; Covenant to Appropriate Funds." Rental Payments are subject to complete or partial abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. See "RISK FACTORS."

THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

For more complete and detailed information, see "SECURITY AND SOURCES OF PAYMENT." For a discussion of certain risks associated with the County's ability to make Base Rental Payments for the Property, see "RISK FACTORS."

No Reserve Fund

The County will not fund a reserve fund for the Certificates. Amounts held or to be held in a reserve fund or account established for any other series of bonds or certificates or any reserve fund credit policy for any other series of bonds or certificates will not be used or drawn upon to pay principal of or interest on the Certificates.

Description of the Certificates

The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of $5,000 and any integral multiple thereof. Principal and interest payments evidenced by the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See "THE CERTIFICATES – General" and APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

The Certificates are subject to prepayment as described herein. See "THE CERTIFICATES – Prepayment Provisions."

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." The summaries and descriptions in this Official Statement of the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Continuing Disclosure Agreement and other agreements relating to the Certificates are qualified in their entirety by the respective form thereof and the information with respect thereto included in such documents.

Offering and Delivery of the Certificates

The Certificates are offered when, as and if executed, delivered and received by the Underwriter, subject to approval by Special Counsel and the satisfaction of certain other conditions. It is anticipated that the Certificates will be available in book-entry form for delivery through DTC in New York, New York, on or about August __, 2015.

Certificate Owners' Risks

Certain events could affect the ability of the County to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

Abatement

Under the Lease Agreement, the obligation of the County to make Rental Payments is subject to abatement in whole or in part during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property or any portion thereof. The amount of the abatement will be such that the resulting Rental Payments do not exceed the fair rental value of the portions of the Property as to which there is no such substantial interference. See "SECURITY AND SOURCES OF PAYMENT – Abatement" and "RISK FACTORS – Abatement." Abatement of Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, would result in all Certificate Owners receiving less than the full amount of principal and interest evidenced by the Certificates. To the extent proceeds of insurance are available, Rental Payments (or a portion thereof) may be made during periods of abatement in amounts in excess of the annual fair rental value of that portion of the Property available for use and occupancy by the County.

Tax Exemption

For a summary of the opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel, see "TAX EXEMPTION" herein and APPENDIX D – "PROPOSED FORM OF OPINION OF SPECIAL COUNSEL."

Continuing Disclosure

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

Other Information

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. The descriptions herein of the Trust Agreement, the Ground Lease, the Lease Agreement, the Assignment Agreement, and any other agreements relating to the Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." Copies of the documents are on file and available for inspection at the office of the Trustee at 400 South Hope Street, Suite 400, Los Angeles, California 90071.

THE CERTIFICATES

General

The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of Base Rental Payments to be made by the County pursuant to the Lease Agreement. The Certificates will be dated as of their initial date of delivery and will be executed and delivered in denominations of $5,000 or integral multiples thereof. The interest components evidenced by the Certificates will be due and payable semiannually on April 1 and October 1 of each year, commencing April 1, 2016.

Interest evidenced by the Certificates will be computed on the basis of a 360-day year consisting of twelve, 30-day months. The Base Rental Payments evidenced by the Certificates will be payable no later than the second Business Day next preceding each Interest Payment Date, the principal components of which will evidence principal components calculated at the rates per annum, all as set forth on the inside cover page of this Official Statement.

The Certificates will be subject to the DTC Book-Entry System of registration, transfer and payment, and each Certificate will initially be registered in the name of Cede & Co., as nominee. As part of such Book-Entry System, DTC has been appointed securities depository for the Certificates, and registered ownership may not thereafter be transferred except as provided in the Trust Agreement. The Certificates are being delivered in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Certificates. Rather, in accordance with the Book-Entry System, purchasers of Certificates will have beneficial ownership interests in the purchased Certificates through DTC Participants. For more information concerning the Book-Entry System, see APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" herein.

While the Certificates are subject to the Book-Entry System, payments of principal and interest evidenced by the Certificates will be made by the Trustee to DTC, which in turn is obligated to remit such principal and interest to its DTC Participants for subsequent disbursement to beneficial owners of the Certificates as described herein. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" herein.

Exchange and Transfer

The following provisions regarding the exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to the Book-Entry System. While the Certificates are subject to the Book-Entry System, their exchange and transfer will be effected through DTC and the DTC Participants and will be subject to the procedures, rules and requirements established by DTC.

Each Certificate is transferable by the Owner thereof, in person or by such Owner's attorney duly authorized in writing, at the Principal Office of the Trustee on the Registration Books, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Each Certificate may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate amount and having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to transfer or exchange any Certificate during the period commencing on the date five days before the date of selection of Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Prepayment Provisions

Optional Prepayment. The Certificates maturing on or before October 1, 20__ are not subject to optional prepayment prior to their stated Principal Payment Dates. The Certificates maturing on and after October 1, 20__ are subject to optional prepayment prior to their stated Principal Payment Dates on any date on or after October 1, 20__, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement from any source of available funds, any such prepayment to be at a price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Extraordinary Prepayment. The Certificates are subject to extraordinary prepayment on any date prior to their stated Principal Payment Dates, in whole or in part, in Authorized Denominations, from and to the extent of any insurance proceeds or condemnation award paid with respect to all or a portion of the Property remaining after payment therefrom of all reasonable expenses incurred in the collection thereof (the "Net Proceeds") received with respect to all or a portion of the Property and deposited by the Trustee in the Prepayment Fund in accordance with the Trust Agreement, at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Mandatory Sinking Account Prepayment. The Certificates with a stated Principal Payment Date of October 1, 20__ are subject to prepayment prior to their stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each October 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor will be as follows:

Sinking Fund Prepayment Date (October 1)	Principal Amount to be Prepaid

* Maturity.

In each case, the amount of such mandatory sinking account prepayment will be reduced proportionately in the event and to the extent of any and all prepayments of Certificates with a stated Principal Payment Date of October 1, 20__ other than mandatory sinking account prepayments.

The Certificates with a stated Principal Payment Date of October 1, 20__ are subject to prepayment prior to their stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each October 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor will be as follows:

Sinking Fund Prepayment Date (October 1)	Principal Amount to be Prepaid

* Maturity.

In each case, the amount of such mandatory sinking account prepayment will be reduced proportionately in the event and to the extent of any and all prepayments of Certificates with a stated Principal Payment Date of October 1, 20__ other than mandatory sinking account prepayments.

Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates are to be prepaid on any one date, the Trustee will select the Certificates to be prepaid (a) with respect to any extraordinary prepayment of Certificates, among Certificates with different stated Principal Payment Dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates are abated pursuant to the Lease Agreement, and (b) with respect to any optional prepayment of Certificates, as directed in a Written Request of the County, and by lot among Certificates with the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision will be final and binding upon the County, the Corporation and the Owners.

Notice of Prepayment. The Trustee will mail (by first class mail) notice of any prepayment to the respective Owners of any Certificates designated for prepayment at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for prepayment. Such notice will state the date of the notice, the prepayment date, the prepayment place and the prepayment price and will designate the CUSIP numbers, if any, the Certificate numbers and the stated Principal Payment Date or Principal Payment Dates of the Certificates to be prepaid (except in the event of prepayment of all of the Certificates in whole), and will require that such Certificates be then surrendered at the Principal Office of the Trustee for prepayment at the prepayment price, giving notice also that further interest evidenced by such Certificates will not accrue from and after the date fixed for prepayment. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the prepayment of the Certificates or the cessation of accrual of interest evidenced thereby from and after the date fixed for prepayment.

While the Certificates are subject to the Book-Entry System, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations, and the Trustee will not be required to give any such notice of prepayment to any other person or entity. DTC and the DTC Participants will have sole responsibility for providing any such notice of prepayment to the beneficial owners of the Certificates to be prepaid. Any failure at DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the beneficial owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under “Effect of Prepayment.”

With respect to any notice of any optional prepayment of Certificates, unless at the time such notice is given the Certificates to be prepaid will be deemed to have been paid within the meaning of and effect of the Trust Agreement regarding defeasance of Certificates, such notice will state that such prepayment is conditional upon receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the prepayment price of, and accrued interest evidenced by, the Certificates to be prepaid, and that if such moneys will not have been so received said notice will be of no force and effect and such Certificates will not be required to be prepaid. In the event a notice of prepayment of Certificates contains such a condition and such moneys are not so received, the prepayment of Certificates as described in the conditional notice of prepayment will not be made and the Trustee will, within a reasonable time after the date on which such prepayment was to occur, give notice to the Persons and in the manner in which the notice of prepayment was given, that such moneys were not so received and that there will be no prepayment of Certificates pursuant to such notice of prepayment.

Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates evidencing the unprepaid principal evidenced by the Certificate surrendered.

Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Certificates so called for prepayment will become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by the Certificates so called for prepayment will cease to accrue, such Certificates will cease to be entitled to any benefit or security under the Trust Agreement and the Owners of such Certificates will have no rights in respect thereof except to receive payment of the prepayment price thereof, and such moneys will be pledged to such prepayment. The Trustee will, upon surrender for payment of any of the Certificates to be prepaid, pay such Certificates at the prepayment price thereof.

All Certificates prepaid as provided above will be canceled by the Trustee and will not be redelivered.

SECURITY AND SOURCES OF PAYMENT

Nature of the Certificates

Each Certificate evidences a direct, fractional undivided interest in the principal component of the Base Rental Payment due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Base Rental Payments.

The Corporation, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners all of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the County under and pursuant to the Lease Agreement. The County will pay Base Rental Payments directly to the Trustee, as assignee of the Corporation. See "– Base Rental Payments" below.

Base Rental Payments

For the use and possession of the Property, the Lease Agreement requires the County to make Base Rental Payments. The County is required to pay to the Trustee, for deposit into the Base Rental Payment Fund, not later than the second Business Day next preceding each Interest Payment Date, an amount sufficient to pay the Base Rental Payment then due.

Pursuant to the Trust Agreement, the Trustee will (i) on each Interest Payment Date, deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date; and (ii) on each Principal Payment Date and each Mandatory Sinking Account Payment Date, deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. Moneys in the Principal Fund will be used by the Trustee for the purpose of paying the principal evidenced by the Certificates when due and payable at their stated Principal Payment Date or upon earlier prepayment from Mandatory Sinking Account Payments to provide for the payment of the interest and principal evidenced by the Certificates.

THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Sources of Funds for Rental Payments; Covenant to Appropriate Funds

The County has covenanted under the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Corporation relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Lease Agreement or the Trust Agreement), due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Abatement

Base Rental Payments are paid by the County in each Rental Period for the County's right to use and occupy the Property for such Rental Period. The obligation of the County to pay Rental Payments will be abated, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments will be abated proportionately, and the County waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The County and the Corporation will, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period will not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the County during such Rental Period. The County and the Corporation will provide the Trustee with a certificate setting forth the amount of abatement and the basis therefor. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed. Notwithstanding the foregoing, to the extent that Net Proceeds of rental interruption insurance are available for the payment of Rental Payments, Rental Payments will not be abated as provided in above but, rather, will be payable by the County as a special obligation payable solely from such Net Proceeds.

The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the County. For a description of abatement resulting from condemnation of all or part of the Property, see APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – *Rental Abatement*."

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property result in abatement of the Rental Payments related to such Property and if such abated Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest evidenced by the Certificates during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Trust Agreement, no remedy is available to the Certificate Owners for nonpayment under such circumstances.

Substitution or Release of the Property

The Lease Agreement provides that, upon compliance with certain conditions specified therein, the County may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property upon satisfaction of certain conditions. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – Substitution or Release of the Property." Notwithstanding any such substitution or release, there will be no reduction in or abatement of the Rental Payments due from the County under the Lease Agreement as a result of such substitution or release.

Action on Default

Should the County default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the County, or may retain the Lease Agreement and hold the County liable for all Rental Payments thereunder on an annual basis. Rental Payments may not be accelerated upon a default under the Lease Agreement. See "RISK FACTORS."

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – *Events of Default and Remedies*" and "– TRUST AGREEMENT – *Events of Default and Remedies*."

Additional Rental Payments

The Lease Agreement requires the County to pay, as Additional Rental Payments thereunder in addition to the Base Rental Payments, such amounts as will be required for the payment of the following: (i) all taxes and assessments of any type or nature charged to the Corporation or the County or affecting the Property or the respective interests or estates of the Corporation or the County therein; (ii) insurance premiums for all insurance required under the Lease Agreement; and (iii) all other payments not constituting Base Rental Payments required to be paid by the County pursuant to the provisions of the Lease Agreement including all expenses, compensation and indemnification of the Trustee payable by the County under the Trust Agreement and any amounts with respect to the Lease Agreement or the

Certificates required to be rebated to the federal government, and all other payments required to be paid by the County under the Lease Agreement or the Trust Agreement.

Insurance

The Lease Agreement requires the County to cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake and flood), subject to a $100,000 loss deductible provision, in an amount equal to the full insurable value of the Property. The casualty insurance required by the Lease Agreement may be maintained in the form of self-insurance by the County, in compliance with the terms of the Lease Agreement.

The Lease Agreement requires the County to cause to be maintained, throughout the term of the Lease Agreement, rental interruption insurance to cover the Corporation's (or its assignee's) loss of rental income from the Property caused by perils covered by the casualty insurance described above, in an amount not less than two times the maximum remaining scheduled Base Rental Payments in any Rental Period. The County's obligation to maintain such rental interruption insurance may not be satisfied by self-insurance.

The County is also required to obtain certain public liability and property damage insurance coverage in protection of the County and worker's compensation insurance as described under APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – *Insurance*."

The County is required under the Lease Agreement to obtain title insurance on the Property, in an aggregate amount of not less than the aggregate principal evidenced by the Certificates, subject only to Permitted Encumbrances, as defined in the Lease Agreement.

No Reserve Fund

The County will not fund a reserve fund for the Certificates. Amounts held or to be held in a reserve fund or account established for any other series of bonds or certificates or any reserve fund credit policy for any other series of bonds or certificates will not be used or drawn upon to pay principal of or interest on the Certificates.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates are shown below.

SOURCES	
Principal Amount of Certificates	
Net Original Issue Premium	
Total Sources	
USES	
Acquisition Fund	
Costs of Issuance Fund [(1)]	
Total Uses	

[(1)] Includes legal, rating agency, printing costs, underwriter's discount, and other miscellaneous costs of issuance.

PLAN OF FINANCE

Net proceeds from the sale of the Certificates will be used to (i) finance a portion of the costs of the construction, rehabilitation, renovation, acquisition and installation of certain facilities comprising (a) tenant improvements at 1441 Schilling Place in the amount of $16,000,000 and (b) renovations of the Courthouse Complex in the amount of $36,000,000, and (ii) pay the costs incurred in connection with the execution and delivery of the Certificates. The Property leased under the Lease Agreement includes a portion of that County property to be improved with the proceeds from the sale of the Certificates.

In the last fifteen years, the County commenced a renovation of facilities including the Courthouse Complex in order to consolidate certain County offices and facilities. After discovering remediation costs in excess of the proceeds of prior certificates of participation and funds on hand, the County determined to complete the North Wing of the facilities and to suspend work on the East and West Wings of the Courthouse Complex. The combined size of the East and West Wings of the Courthouse Complex is 70,675 square feet. Upon completion, these two buildings will house County personnel. See "RISK FACTORS – Risk of Delay in Completion of the Project."

THE PROPERTY

Description

The Property consists of the following real property and improvements, with costs of improvements thereon to be paid from net proceeds of the Certificates:

The Schilling Place Complex. The Schilling Complex consists of three buildings: 1441 Schilling Place ("Building A"), a LEED Gold Certified office building comprising 198,337 square feet of office space (excluding 4,021 sq. ft. of interior courtyard) in a South Building comprising approximately 93,725 square feet and a North Building comprising approximately 108,833 square feet; 1488 Schilling Place ("Building B"), a warehouse facility comprising 87,207 square feet (excluding 6,122 sq. ft. of covered dock area); and, 1494 Schilling Place ("Building C"), a daycare facility comprising 4,500 square feet. The Schilling Complex is situated on 24.47 acres near the Salinas Airport adjacent to Highway 101.

Courthouse Complex. The East and West Wings of the Courthouse Complex are separate buildings located at 240 Church Street in Salinas, California. The East Wing comprises approximately 22,272 square feet and the West Wing comprises approximately 50,526 square feet. The Courthouse Complex is unoccupied and pending renovation. Upon completion, these two buildings will house County personnel.

In addition, the Property consists of the following real property and improvements (the "Other Property" as described herein).

Behavioral Health Building. The Behavioral Health Building consists of approximately 23,359 square feet of office space located at 298 Twelfth Street in Marina, California.

Probation Headquarters and Adult Services. The Probation Headquarters and Adult Services complex consists of approximately 28,000 square feet of office space located at 20 East Alisal Street in Salinas, California.

Agriculture Complex. The Agriculture complex consists of approximately 14,965 square feet of space serving as an administrative building and approximately 4,284 square feet of space serving as a cooperative extension office and conference center, located at 1428 Abbot Street in Salinas, California.

Information Technology Building. The Information Technology Building consists of approximately 31,980 square feet of office space located at 1590 Moffett Street in Salinas, California.

The County and the Corporation have agreed and determined in the Lease Agreement that the annual Fair Rental Value of the Property is not less than $3,300,000 as of the date hereof. For a description of certain terms of the Lease Agreement see "SECURITY AND SOURCES OF PAYMENT" and APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT."

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

Term of Lease as to Certain Property

The Lease Agreement provides for a termination of the lease of the parcels designated as Other Property. As provided in the Lease Agreement, so long as no Event of Default shall have occurred and be continuing under the Lease Agreement, upon the filing of a Written Certificate of the County stating that the Courthouse Complex has been completed and that all costs of the Courthouse Complex have been paid, the term of the Lease Agreement with respect to the Other Property shall terminate, unless such term is sooner terminated in accordance with the Lease Agreement, and, from and after the date of such termination, the description of the Other Property set forth in the Lease Agreement shall be deleted therefrom and the term "Property" shall, for all purposes of the Lease Agreement, be deemed not to include the Other Property. See APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT."

In addition, the Lease Agreement authorizes the County to substitute the Property, in whole or in part, with other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see "SECURITY AND SOURCES OF PAYMENT – Substitution or Release of the Property" and APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT."

BASE RENTAL PAYMENTS

The Lease Agreement requires that Base Rental Payments be made on or before each Base Rental Deposit Date, which is the second Business Day next preceding each of the following Interest Payment Dates:

Base Rental Payment Schedule

Interest Payment Date	Principal	Interest Component	Semi-Annual Base Rental Payment	Fiscal Year Base Rental Payment
April 1, 2016				
October 1, 2016				
April 1, 2017				
October 1, 2017				
April 1, 2018				
October 1, 2018				
April 1, 2019				
October 1, 2019				
April 1, 2020				
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April 1, 2045				
October 1, 2045				

THE COUNTY

Introduction

With an area of approximately 3,300 square miles and 99 miles of coastline, the County borders the Pacific Ocean almost at the midpoint of California. The County is located approximately 100 miles south of San Francisco and 240 miles north of Los Angeles. It is bordered by Santa Cruz County to the north, San Benito (originally part of the County), Fresno and Kings Counties to the east and San Luis Obispo County to the south. As of January 1, 2015, current population was estimated by the State of California Department of Finance at approximately 425,413.

Approximately 98% of the 3,300 square miles in the County are outside of a municipality, with approximately 25% of the residents living in these unincorporated areas. The City of Salinas is the County's largest city with approximately 154,000 residents as of January 1, 2015 and serves as the County seat. The eleven other incorporated cities are Carmel-by-the Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Sand City, Seaside, Soledad and Pacific Grove.

There are two distinct sub-regions in the County: the Monterey Peninsula and the Salinas Valley. The Monterey Peninsula is world famous for beautiful ocean views, 17-mile drive, delicious seafood and world-class golf courses. Pebble Beach, Cypress Point, Spyglass Hill, Poppy Hills, The Links at Spanish Bay, and the Dunes and Shore courses at Monterey Peninsula Country Club are well-known Monterey Peninsula golf courses. The Monterey Bay Aquarium and the City of Carmel-by-the-Sea are also attractions that draw tourists to the Monterey Peninsula. The Salinas Valley is equally renowned as an area full of fertile farmland, running almost the entire length of the County and is one of the world's most fertile major vegetable producing areas. Agriculture, tourism, and government are major contributors to the County's economy.

The County also benefits from two wilderness areas set aside for recreational enjoyment, consisting of 468,538 total acres. The Los Padres National Forest has 304,035 acres and the Ventana Wilderness totals 164,503 acres.

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

Government and Administration

The County was incorporated in 1850 as one of the State's original 27 counties. The City of Monterey was California's first capital. The City of Salinas is the County seat. The County is a general law county, and is governed by a five-member Board of Supervisors (the "Board") elected to serve four-year terms. Other elected officials include the Assessor-Clerk-Recorder, District Attorney, Sheriff, Auditor-Controller and Treasurer-Tax Collector. The County Administrative Officer is appointed by the Board and administers the day-to-day business of the County. Averaging 4,524 full-time equivalent employees, the County government provides a full range of public services including public safety, roads and facilities, social services, administrative services, health services, sanitation services and leisure services. Typically, the department heads that run these operations, other than the elected department heads, are appointed by the County Administrative Officer.

The Treasurer-Tax Collector is an elected officer of the County. Operating under State of California statutes found in the Revenue and Taxation Code and Government Code, the Treasurer-Tax Collector performs a variety of functions which collectively contribute to the financial management network of the County, the County's school districts, and many of the County's special districts.

The Auditor-Controller is the chief fiscal officer of the County. The Auditor-Controller is elected by County voters to provide accounting, budgeting, and financial services to the public, county agencies, school districts, special districts, and cities as defined under Government Code.

Financial and Accounting Information

The governmental activities of the County are: general government, public safety and protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The County has two business-type activities: Natividad Medical Center and the Parks and Lake Resort, which provides an assortment of outdoor and recreational activities associated with, and on the lands surrounding, Lake San Antonio and Lake Nacimiento.

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The various funds are grouped into fund and account categories as described below under the caption "COUNTY FINANCIAL INFORMATION" and in APPENDIX B – "COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014."

COUNTY FINANCIAL INFORMATION

Budgetary Process

The County is required by State law to adopt a balanced budget by October 2 of each fiscal year, while the County of Monterey procedure is to adopt by July 1st. The process begins in January with budget instructions issued to departments by the County Administrative Officer. The various departments develop departmental budget requests by early March. After the County Administrative Officer reviews the various departmental requests, the County Administrative Officer prepares the County recommended budget, which is summarized by department, and submits it to the Board prior to budget hearings in June. The County operates beginning July 1, the start of the fiscal year. The County Auditor-Controller is responsible for monitoring and reporting expenditures within budgeted appropriations. The Board has established a Budget Committee with two members of the Board. This committee meets monthly to review financial and program issues of the County. Semiannually, the Board receives a summary review of the County's operating results as compared to the budget, with an analysis by the County Administrative Officer.

Budget data is prepared on the modified accrual basis consistent with comparable actual amounts. Budget appropriations represent original amounts adjusted by budget transfers and appropriation amendments. Encumbrance accounting is utilized during the year for budget control purposes. However, encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather reserves of fund balances. The County does, however, honor the contracts represented by year-end encumbrances. Unencumbered budget appropriations lapse at the end of the fiscal year. Board policy requires re-appropriation of carryover capital improvement projects on an annual basis after review of each project status.

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

The County's budget process takes place within a dynamic reporting cycle that includes continual monitoring of the County's fiscal condition to assure adjustment as needed to maintain budgetary balance throughout the fiscal year. The reporting cycle subsequently leads to and facilitates development of the budget for the next fiscal year. Key components in the process include the following:

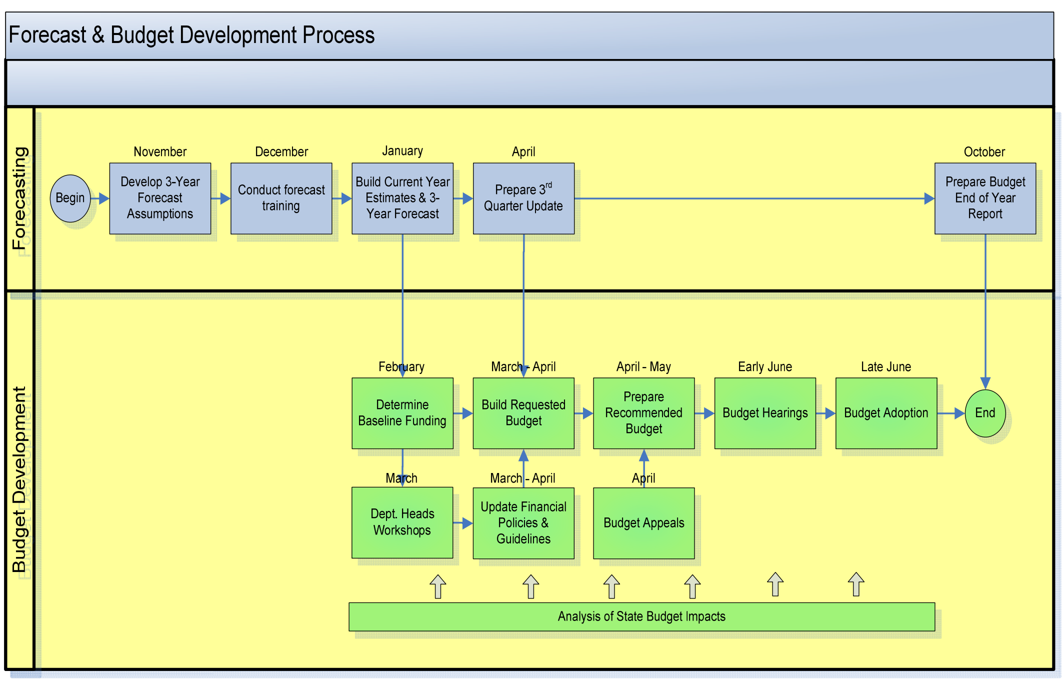
The first quarter report provides an early indication of how closely departmental budgets are being managed within Board-approved operating plans, and highlights fiscal issues that may need closer monitoring and potential corrective action.

Assumptions for year-end estimates and the Three-year Forecast are developed based on a number of factors that impact future year budget funding sources and expenditures, such as negotiated salary and benefit changes, and anticipated changes in various ongoing costs for health insurance, unemployment insurance, workers' compensation, general liability, etc. The Three-year Forecast is pivotal to the overall budget reporting and development process. The forecast provides both a mid-year examination of year-end estimates as well as anticipated future year funding sources and expenditure needs, and more thoroughly identifies potential opportunities or need for corrective adjustments in the current and future year budgets.

Fiscal uncertainties related to State Budget actions may also be quantified at this point; impacts and next steps are identified to additionally assure the County budget remains balanced.

Factors such as increasing costs and anticipated increases or decreases in funding sources, identified through quarterly reports, the Three-year Forecast, analysis of State Budget impacts, and ongoing review of departmental budgets are critical to guiding development of a Recommended Budget that represents a sustainable operating plan and maintains fiscal integrity moving forward.

Details and timeline for the County's annual budget cycle are reflected in the following diagram:



With respect to the current Fiscal Year, County departments began their financial planning in January 2015 with development of detailed financial forecasts. Departments use the financial forecasts to estimate future levels of services that can be afforded with their program revenue and general fund contributions (GFC). General fund contributions are "non-departmental" monies allocated at the discretion of the Board to supplement a department's "program-specific revenues (federal or State allotments, service charges, etc.). For forecasting purposes, departments assume their share of GFC will remain "status quo" for the budget year. The majority of departments rely on GFC at some level to provide services and use their forecasts to plan capacity for funding future years' services.

Financial Statements

The County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, which has been audited by Gallina, LLP, Certified Public Accountants, Roseville, California, is included in APPENDIX B – "COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014." The County has not requested nor has Gallina given consent to the inclusion in such appendix of its report on such financial statements, nor have such accountants reviewed or performed any audit procedures in connection with the preparation of this Official Statement. The County reports that there has been no material adverse change in the County's financial position since June 30, 2014.

The financial information presented herein was compiled from the County's Comprehensive Annual Financial Report and from the office of the Auditor-Controller. The financial and statistical information set forth herein does not purport to be a summary of the County's Comprehensive Annual Financial Report. The County's Comprehensive Annual Financial Report should be read in its entirety. The Comprehensive Annual Financial Report of the County for the year ended June 30, 2014, is attached to this Official Statement as APPENDIX B – "COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014." The financial information summarized herein is for information purposes only and does not constitute the complete financial statements of the County.

The financial information presented for June 30, 2015, was compiled from the books and records of the County Auditor-Controller's office. The financial and statistical information for Fiscal Year 2014-15 presented herein is unaudited. The County believes such information is representative of the financial activities of the County for the fiscal year ended June 30, 2015. The County reports that there has been no material adverse change in the County's financial position since June 30, 2014. The County's 2015 Comprehensive Annual Financial Report is expected to be available in January 2016.

With respect to the County's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013 and 2014, the Government Finance Officers Association of the United States and Canada ("GFOA") has awarded the County with its Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The GFOA is a nonprofit professional association serving approximately 16,000 government finance professionals.

Table 1
County of Monterey
General Fund Balance Sheet
Years Ended June 30, 2012, 2013 and 2014[1]

	2012	2013	2014
ASSETS			
Cash and investments:			
Held in County Treasury	$113,788,837	$119,919,869	$129,267,529
Held with Trustee	--	--	--
Imprest cash	23,550	22,626	23,572
Restricted cash	2,075,883	2,078,434	2,162,161
Other bank accounts	--	--	635,950
Receivables	50,376,383	45,211,824	51,381,058
Due from other funds	580,000	580,667	--
Inventories	195,828	252,782	251,198
Property held for resale	--	--	--
Prepaid items and other assets	--	9,065	--
Notes receivable	--	--	--
Total Assets	$167,040,481	$168,075,267	$183,721,468
LIABILITIES			
Vouchers and accounts payable	$ 10,778,036	$ 9,121,689	$ 11,697,962
Accrued salaries and benefits	12,120,597	11,908,019	14,214,544
Deposits from others	5,990,332	6,658,211	6,942,047
Deferred/unearned revenues	46,211,445	18,568,316	15,691,772
Total Liabilities	$ 75,100,410	$ 46,256,235	$ 48,546,325
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	--	16,967,239	17,269,685
FUND BALANCES			
Nonspendable	$ 195,828	$ 261,847	$ 251,198
Restricted	--	448,314	534,301
Committed	52,292,695	60,292,695	60,292,695
Assigned	37,065,415	38,328,924	39,275,328
Unassigned	2,386,133	5,520,013	17,551,936
Total Fund Balance	$ 91,940,071	$104,851,793	$117,905,458
Total Liabilities and Fund Balance	**$167,040,481**	**$168,075,267**	**$183,721,468**

[1] This statement is a summary statement only. The complete audited financial statements of the County, including the notes to the audited financial statements, are an integral part of and necessary to a complete understanding of this statement.
Source: County of Monterey Audited Financial Reports.

Table 2
County of Monterey
General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance
Years Ended June 30, 2012, 2013 and 2014[1]

	2011-12	2012-13	2013-14
Revenues:			
Taxes	$143,370,485	$148,497,061	$155,843,546
Licenses, permits and franchises	13,585,887	16,473,883	18,359,999
Fines, forfeitures and penalties	8,873,773	8,396,400	7,427,744
Revenue from use of money and property	2,678,849	3,442,461	3,502,579
Aid from other governmental agencies	269,422,428	194,085,133	198,090,903
Charges for services	59,275,567	52,098,093	55,475,155
Tobacco settlement and other revenue	5,685,539	9,850,959	10,681,134
Total Revenues	$502,892,528	$432,843,990	$449,381,060
Expenditures:			
Current:			
General government	$ 43,282,818	$ 45,505,231	$ 48,764,714
Public safety and protection	187,022,440	184,769,982	199,854,904
Public ways and facilities	--	--	--
Health and sanitation	121,835,061	58,779,143	61,247,488
Public assistance	148,674,747	153,364,552	158,659,347
Education	529,549	523,130	500,089
Recreation and cultural services	4,783,388	4,155,293	4,801,432
Debt service:			
Principal	--	343,824	--
Interest and debt service costs	603,685	488,251	1,000
Capital outlay	--	--	--
Total Expenditures	$506,731,688	$447,929,406	$473,828,974
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,839,160)	(15,085,416)	(24,447,914)
Other Financing Sources (Uses):			
Transfers in	$ 23,386,903	$ 56,083,906	$ 72,656,669
Transfers out	(13,158,425)	(28,160,622)	(34,321,244)
Sale of capital assets	211,930	73,854	44,004
Total Other Financing Sources (Uses)	$ 10,440,408	$ 27,997,138	$ 38,379,429
Net Changes in Fund Balance	$ 6,601,248	$ 12,911,722	$ 13,931,515
Fund Balance, Beginning of Year, as restated	85,338,823	91,940,071	103,973,943
Fund Balance, End of Year	$ 91,940,071	$104,851,793	$117,905,458

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

Source: County of Monterey Audited Financial Reports.

General Fund Budgets

The Fiscal Year 2014-15 Adopted Budget included expenditures totaling $1.08 billion for all funds, representing an increase of $49.1 million, 4.8% from Fiscal Year 2013-14 actuals. County staffing was increased by 194.1 full-time equivalent (FTE) positions to 4,840.0. The following are highlights of the Fiscal Year 2014-15 Budget and year end projections for the County's largest fund (the General Fund):

- The General Fund outperformed expectations by $13.9 million in the Fiscal Year 2013-14. This improvement can be attributed to a County culture of conservative fiscal management, witnessed by the prudent financial policies adopted by the Board and continuing efforts of department heads to tightly manage their budgets and adjust operations to match revenue flows.

- The General Fund is expected to outperform expectations by $2.1 million for Fiscal Year 2014-15 based on preliminary (unaudited) financial data. Departments expect to end Fiscal Year 2014-15 with expenditures $11.8 million below budget as a result of their continued expenditure containment efforts. The estimated expenditure savings are enough to offset lower-than-expected revenues and still end the current year with an unassigned fund balance of $2.1 million, even after making important one-time investments.

- Improvements in the General Fund created opportunities for investments. The County's positive performance in recent years allowed for strategic one-time investments in the Fiscal Year 2013-14. The largest of these investments was the $13.0 million cash purchase of the Schilling Complex. This purchase will provide critical space to run County operations and reduce County lease payments. Using one-time fund balance to purchase the new building also allowed the County to avoid debt financing.

- Since the recession, the Board has strengthened financial policies to restore balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. Under these policies, the County has invested year-end surpluses into shoring up its strategic reserve and other key investments. These investments have added to the County's ending fund balances each year, growing from $82.7 million in 2009-10 to $117.9 million at the end of Fiscal Year 2013-14. These strategic investments help prepare the County to weather the next recession and help pave the way for key infrastructure projects.

Table 3
Budgeted Amounts Final
County of Monterey
General Fund Budget for the Fiscal Year Ended June 30, 2014

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budge Positive (Negative)
Revenues:				
Taxes, VLF and franchises	$ 150,064,348	$ 150,064,438	$ 155,843,546	$ 5,779,198
Licenses and permits	15,637,698	15,960,986	18,359,999	2,399,013
Fines, forfeitures & penalties	9,061,031	9,111,031	7,427,744	(1,683,287)
Revenue from money & property	1,330,989	1,331,289	3,502,579	2,171,290
Aid from governmental agencies	203,205,160	207,310,490	198,090,903	(9,219,587)
Charges for services	67,389,955	68,334,358	55,475,155	(12,859,203)
Miscellaneous revenues	5,412,181	5,924,181	10,681,134	4,756,953
Total Revenues	452,101,362	458,036,683	449,381,060	(8,655,623)
Expenditures:				
Current:				
General Government	63,476,013	62,932,615	48,764,714	14,167,901
Public safety	200,500,211	204,504,107	199,854,904	4,649,203
Health & sanitation	67,745,286	67,795,286	61,247,488	6,547,798
Public assistance	167,684,590	169,922,737	158,659,347	11,263,390
Education,	516,156	516,156	500,089	16,067
Recreation & cultural services	4,455,160	4,806,160	4,801,432	4,728
Debt Service				
Interest and Debt Service Costs	935,000	935,000	1,000	934,000
Total Expenditures	505,312,416	511,412,061	473,828,974	37,583,087
Excess (deficiency) of revenues over (under) expenditures	(53,211,054)	(53,375,378)	(24,447,914)	28,927,464
Other financing sources (uses):				
Transfers in	71,128,821	71,128,820	72,656,669	1,527,849
Transfers out	(23,685,160)	(27,330,008)	(34,321,244)	(6,991,236)
Premium/Discount on debt issuance	(500,000)	(500,000)	-	500,000
Sale of capital assets	53,362	53,362	44,004	(9,358)
Total other financing sources (uses)	46,997,022	43,352,174	38,379,429	(4,972,745)
Net change in fund balance	(6,214,032)	(10,023,204)	13,931,515	23,954,719
Fund balance, beginning	103,973,943	103,973,943	103,973,943	--
Fund balance, ending	97,759,911	93,950,739	117,905,458	-

Source: County of Monterey 2014 Audited Financial Report.

Set forth in the following table is a summary statement of the final General Fund budgets for Fiscal Years 2011-12, 2012-13, 2013-14, and 2014-15.

Table 4
County of Monterey
General Fund Budgets
Fiscal Years 2011-12, 2012-13, 2013-14, and 2014-15 (1)

	2011-12 Final Budget	2012-13 Final Budget	2013-14 Final Budget	2014-15 Final Budget (2)
Revenues:				
Taxes	$135,193,270	$142,776,325	$150,064,348	$155,390,140
Licenses, permits and franchises	16,234,949	16,875,330	15,960,986	17,700,699
Fines, forfeitures and penalties	9,254,510	8,738,176	9,111,031	9,108,815
Revenue from use of money and property	2,045,870	1,221,247	1,331,289	2,108,430
Aid from other governmental agencies	296,530,630	203,828,493	207,310,490	211,294,678
Charges for services	65,752,166	65,341,739	68,334,358	71,399,535
Tobacco settlement and miscellaneous	5,813,526	4,786,421	5,924,181	6,603,219
Total Revenues	$530,824,921	$443,567,731	$458,036,683	$473,605,516
Expenditures:				
Current:				
General government	$ 59,813,135	$ 57,895,725	$ 62,932,615	$ 69,628,128
Public safety and protection	192,938,166	191,717,515	204,504,107	218,564,323
Health and sanitation	119,889,917	63,210,217	67,795,286	70,716,796
Public assistance	153,832,820	159,258,639	169,922,737	176,990,504
Education	589,770	529,038	516,156	527,780
Recreation and cultural services	4,806,930	4,640,197	4,806,160	5,280,299
Debt service				
Interest and debt service costs	135,000	935,000	935,000	425,000
Total Expenditures	$532,005,738	$478,186,331	$511,412,061	$542,132,830
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,180,817)	(34,618,600)	(53,375,378)	(68,527,314)
Other Financing Sources (Uses):				
Transfers in	$ 7,575,145	$ 52,244,528	$ 71,128,820	$ 81,099,725
Transfers out	(17,084,800)	(26,213,428)	(27,330,008)	(40,595,092)
Premium/(discount) on debt issued	--	500,000	(500,000)	0
Sale of capital assets	211,930	--	53,362	53,363
Total Other Financing Sources (Uses)	$ (9,297,725)	$ 26,531,100	$ 43,352,174	$ 40,557,996
Net change in budgetary fund balance	(10,478,542)	(8,087,500)	(10,023,204)	(27,969,318)
Budgetary fund balance, beginning	85,338,823	91,940,071	103,973,943	93,950,739
Budgetary fund balance, ending	$ 74,860,281	$ 83,852,571	$ 93,950,739	$ 65,981,421

(1) This statement is a summary statement only. The complete audited financial statements of the County, including the notes to the audited financial statements, are an integral part of and necessary to a complete understanding of this statement.
(2) Unaudited; subject to adjustment and revision.
Source: County of Monterey Audited Financial Reports.

Fiscal Year 2015-16 Budget Development. During the April 20, 2015 budget workshop with the Board, the County Administrative Office provided perspective on the fiscal context in which the budget is being built and offered information on requested augmentations. The County Administrative Office presented the forecast to the Board at its March 10, 2015 meeting. In the forecast, the County Administrative Office projected to end the current year with another operating surplus (the fourth consecutive annual surplus) while cautioning policy makers that hypothetical deficits could emerge beginning next fiscal year without corrective actions.

Baseline requested expenditures totaled $572.1 million, representing growth of $21.9 million over the Fiscal Year 2014-15 adopted budget. The baseline budget also included $5.7 million for operational contingencies, in accordance with the County's policy to set aside a portion of the budget equal to one percent of estimated General Fund revenue for critical, unanticipated needs. Departments were allowed to increase baseline expenditures as long as they could substantiate offsetting growth in their program revenue.

For many departments, expected increases in operating costs (pay raises, increases in CalPERS contributions, etc.) have consumed growth in their program revenues. When necessary to balance their baseline budgets to expected revenue, departments cut discretionary operating expenditures and positions. In total, departments cut an estimated $4.9 million in discretionary expenditures and unfunded 63.5 vacancies for an additional $5.0 million in savings. Some departments had already exhausted opportunities for cost savings from reductions made in prior budget cycles or because they did not have vacant positions. These departments cut a combined total of 65 filled positions as a last resort to balance their budgets and submitted augmentation requests for additional GFC to restore these positions.

The County Administrative Office received augmentation requests for additional GFCs above baseline levels totaling $43.5 million, supported by an estimated $6.3 million in program revenue and requested increases in GFC totaling $37.2 million. These augmentations combined with requested General Fund baseline budgets and the contingency appropriation totaled $621.3 million, exceeding available financing by $24.4 million.

By law, the County must adopt a balanced budget that aligns expenditures to available financing. To balance the budget, the County Administrative Office proposed more modest spending of $601.5 million, financed by $583.6 million in revenue and $17.9 million in use of fund balance for capital projects and other one-time planned needs. Balancing this budget required difficult choices; growth in resources were targeted to restoring funding for most at-risk filled positions, with the balance supporting the most critical requests. Nevertheless, many requests for well-substantiated needs remained unfunded due to the County's ongoing fiscal limitations, including the loss of six filled positions at the Lakes Resorts and a countywide reduction of 44.5 vacancies.

Recommended Budget – All Funds. Recommended appropriations for all funds, departments and programs for Fiscal Year 2015-16, including the General Fund, total $1.2 billion, supporting a workforce of 5,034 authorized positions and providing needed funding for 24 General Fund departments, the County's hospital, and the Monterey County Free Libraries. Significant budget changes since adoption of the 2014-15 budget include:

- *Expansion of health clinics and behavioral services*. The recommended Health Department budget includes overall growth of $56.2 million. Much of this growth ($21.6 million) reflects recent accounting changes in the way State-county realignment monies are tracked. To ensure transparency in reporting, these monies are deposited in special realignment funds and then transferred out to General Fund operating departments as reimbursement for actual incurred costs. The monies are counted as expenditures (operating transfers out) in the special funds and again as expenditures in the General Fund departments which provide the staffing and operate the programs. The remaining growth ($34.6 million) in Health Department expenditures pays for increased salary and benefit costs discussed earlier and other expenditures supporting the expansion of the health clinics and behavioral health services.

- *Cost pressures for social services*. Recommended appropriations for the Department of Social Services increased by $19.9 million over the Fiscal Year 2014-15 adopted budget. As is the case with the Health Department, much of this growth ($15.3 million) reflects State-required changes in accounting for realignment monies. The balance ($4.6 million) pays for an additional 12 staff positions added in Fiscal Year 2014-15, mostly for support of the In-Home Supportive Services Program, and to cover general cost pressures related to salary increases, community service contracts, and information technology infrastructure replacement. These cost increases are supported entirely by federal and State revenue, with no increase in GFCs.

- *Infrastructure replacement*. The non-departmental portion of the County Administrative Office budget provides operating transfers for Fiscal Year 2015-16 anticipated costs to expand the County's jail and build the new juvenile hall. The recommended budget provides $3.2 million for the jail addition and $5.8 million for the juvenile hall. The County's share of cost for these projects is financed by reserves created in prior years. The County Administrative Office's recommended budget also includes an additional $2.9 million for the Vehicle Asset Management Program, with most of the increase paying for first year costs of a three-year plan to replace the Sheriff's Office aging fleet of patrol vehicles. In addition, the recommended budget provides $1.3 million for first year debt service to finance tenant improvements to the 1441 Schilling Place and Government Center buildings, Courthouse Complex renovation, and removal of the Government Center modular buildings.

- *Countywide cost pressures*. Most of the remaining increase in recommended appropriations is to help departments cover increased operating costs, including higher charges from service departments for general liability insurance, information technology equipment replacement, and the upgrade of the County's enterprise resource planning (ERP) system. These and other operating cost pressures are covered in more detail later.

Recommended Budget – General Fund. The General Fund supports most County services and basic governmental functions including public safety and criminal justice, health, social services, land use, recreation, environment, administration and finance. The General Fund is the County's largest fund. With recommended appropriations totaling $601.5 million, the General Fund budget represents half of total 2015-16 recommended appropriations. Natividad Medical Center is the County's second largest fund, with appropriations totaling $219.3 million, or about one-fifth of the County's budget. Recommended appropriations total $601.5 million, an increase of $47.4 million over the current year adopted budget. Highlights of the recommended budget for the General Fund include:

- Utilizes $17.9 million in fund balance for infrastructure projects and other planned one-time needs. The recommended budget uses special purpose fund balance reserves to pay for planned, one-time expenditures, including Fiscal Year 2015-16 costs related to construction of the jail housing addition and new juvenile hall, appropriation for contingencies, and vehicle replacement under the County's Vehicle Asset Management Program.

- Estimated revenues increase by $38.2 million. Non-program revenue, the source of discretionary GFCs allocated by the Board, is estimated to grow $18.6 million as assessed home values drive property tax revenues higher. The Health Department also expects its General Fund revenues to grow, mostly due to increased patient fees and governmental revenue for services provided at the County's health clinics. In addition, the Department of Social Services anticipates it will claim an additional $4.8 million in reimbursements from the federal and State governments to cover increases in its operating expenditures.

- Labor costs will increase by an estimated $20.7 million. General fund departments added 46.6 positions since adoption of the current year budget, increasing costs to the General Fund by an estimated $4.2 million. Most of these positions increases are in the Health Department and Social Services and can be supported by increases in program revenues. Pay raises authorized by memorandum of understanding (MOU) will add an additional $7.5 million. Other sources of increased labor costs include higher CalPERS contributions, increased health insurance premiums, and scheduled step advances.

- Provides funding for the jail expansion and the new juvenile hall. The County has embarked on critical infrastructure projects to build a new 120-bed juvenile hall at a cost of approximately $52.8 million and expand the County jail at an estimated cost of $88.9 million. The recommended budget appropriates $5.8 million next fiscal for the juvenile hall and $3.2 million for the jail expansion to cover the County's share of construction costs for these two projects for Fiscal Year 2015-16.

- Provides for expansion of County health clinics. As a result of the Affordable Care Act, an additional 40,679 residents were enrolled into Medi-Cal Managed Care. This, coupled with the newly insured through the Covered California, has increased demand for access to primary care services in County clinics. New clinic construction and expansion is underway to increase patient access to primary care and emergency department diversion services. In addition, the Health Department's clinic services and behavioral health programs are implementing a coordinated model to serve patients with mild to moderate mental health diagnoses within the clinics setting. The budget includes recommended increases totaling $5.7 million for County health clinics to meet the growing demand for its services.

- Includes $2.9 million to replace County vehicles. The recommended budget provides $2.9 million to purchase County vehicles under the Vehicle Asset Management Program. These funds will be used to replace patrol vehicles for Fiscal Year 2015-16 as part of a three-year plan to replace high-mileage Sheriff's Office vehicles.

- Includes $5.7 million for operational contingencies. In compliance with the County's financial policies, the budget appropriates $5.7 million (1% of estimated General Fund revenue) for critical, unanticipated needs that emerge for Fiscal Year 2015-16 and cannot be funded within departments' appropriated resources. The $5.7 million appropriation represents an increase of $1.8 million over the current year adopted budget.

- Presidential primary election. The recommended budget includes $1.2 million to cover election costs associated with the June 2016 presidential primary election.

- General Plan implementation. The proposed budget sets aside $1.0 million to cover potential professional services costs associated with general plan implementation.

- Provides increased Proposition 172 contributions to fire protection service providers. Contributions to these providers increase $106,375 in accordance with established formulas set by County policy.

- Provides increased contributions to the economic development agencies. Under current formulas, the County's contributions of transient occupancy tax revenue to the Monterey County Convention and Visitors' Bureau (MCCVB), Arts Council, and Film Commission will increase $116,091 in for Fiscal Year 2015-16.

General Fund Revenues. Estimated General Fund revenues total $583.6 million for 2015-16. Revenue from federal and State sources are estimated at $206.6 million (35% of total revenue), essentially unchanged from the current year. The County's social services and health programs are the largest recipients of these revenues and rely on these monies as the primary means of supporting their programs. Revenue from taxes total an estimated $165.9 million, an increase of $10.5 million over the Fiscal Year 2014-15 adopted budget, and represent the bulk of the County's discretionary monies, allocated to departments in the form of General Fund contributions. Other sources of funding include: charges for services ($73.6 million); other revenues ($108.9 million), which include operating transfers received from the three realignment funds mentioned earlier; revenue from license, permit, and franchise fees ($19.3 million); and fines, forfeitures, and penalties ($9.2 million).

Program and Non-Program Revenues. General fund revenues are categorized as "program" and "non-program" based on the source of and purpose for the funding. Program revenues, primarily from State and federal sources, are typically provided for a statutory purpose and must by law be spent on designated activities. The recommended budget includes estimated program revenues of $390.8 million, about two-thirds of total revenue.

Non-program revenues total an estimated $192.8 million (one-third of total revenue), distributed to departments in the form of GFCs. Non-program revenues include property taxes, transient occupancy tax (TOT), sales and use tax, vehicle license fees (VLF), and a number of smaller revenue sources that support local government. As discretionary revenue, non-program revenues provide the County with some level of flexibility to address local needs and priorities. Monterey County historically uses its discretionary revenues to support public safety, County finance and other administrative functions, meet maintenance of effort requirements, and to provide matching funds as a condition for receiving federal and State assistance.

The estimated $192.8 million in non-program revenue represents an increase of $18.6 million compared to the Fiscal Year 2014-15 adopted budget. Driving the increased revenue is higher property tax revenues, increased transient occupancy tax (TOT) monies, and more vehicle license fee revenue. Most of the increase in vehicle license fee revenue is redirected to public health programs under AB 85 (Chapter 24, Statutes of 2013). After accounting for this redirection, non-program revenues available for allocation by the Board will grow a more modest $15.0 million over the current year adopted budget.

Property tax revenue comprises the bulk of non-program revenue, totaling an estimated $137.1 million (71%) for Fiscal Year 2015-16. Transient occupancy tax, often referred to as a hotel or room tax, is estimated at $20.9 million, while sales and use tax revenue is estimated at $7.7 million. Other significant sources of non-program revenue include vehicle license fees, tobacco settlement monies, and franchise fees.

Estimated changes in major sources of non-program revenues compared to Fiscal Year 2014-15 are summarized below:

- *Property Tax Revenue*. Property Tax Revenue totals from property taxes sustained steep reductions through the economic downturn and its aftermath, declining $15.6 million from peak to trough. This decline was a defining factor behind four years of budget reductions following the onset of the recession. Since that time, assessed values have recovered, with the County's Assessor expecting a 5-6% overall increase in assessed values for secured properties. For forecasting purposes, the County Administrative Office assumes the lower end of the estimate range (5%), which would yield a $9.6 million increase for Fiscal Year 2015-16, exceeding the $131.4 million mark set prior to the recession.

- *Fund Balance*. Beyond any growth in annual revenue, the County also has funding held in reserve. The County established these reserves in prior budgets and by redirecting one-time operating surpluses to meet specific future purposes. By far the largest reserve is the Strategic Reserve of $60.3 million for responding to natural disasters or other local emergencies. The $60.3 million includes $14.2 million for Natividad Medical Center, with the balance set aside for General Fund emergencies. There are also reserves to cover the County's share of costs for the new juvenile hall and the jail expansion.

- *Augmentation Requests*. To avoid position reductions and mitigate potential operational impacts, departments submitted augmentation requests totaling $43.5 million in appropriations, supported by $6.3 million in program revenue and $37.2 million in requested General Fund contributions. These requests seek to restore all filled positions and most of the vacancies. Departments also submitted requests to add 166.3 new positions and fund various infrastructure needs, particularly in the County park system and within the Resource Management Agency.

Growth in discretionary funding to support department augmentations totals $13.1 million, which equals the $15.0 million growth in non-program revenue less formulaic commitments to the road fund and economic development agencies. The County Administrative Office recommends using the $13.1 million in discretionary revenue growth combined with $6.4 million in additional program revenues to fund increases in appropriations totaling $19.5 million.

Fund Balance Policy

The County's goal is to use unrestricted fund balance as a source to finance one-time investments, reserves and/or commitments. Committed, assigned and unassigned fund balances are considered unrestricted. The County's general financial guidelines permit the Board to use unbudgeted unassigned fund balance in the following manner as recommended by the County Administrative Officer:

1. A capital project fund

2. Productivity investment assignment

3. Strategic reserve equal to 10 percent of current General Fund revenues

4. One-time investments or assignments

Strategic Reserve Policy

The County has established a strategic reserve reported as a separate committed fund balance constraint. Beginning in Fiscal Year 2005-06, General Fund reserves were to be funded over eight years to equal ten percent of General Fund budgeted revenues. The reserve was established for use in legal judgment settlements against the County, economic downturns, natural disasters and for one-time State budget reductions that could not be addressed through the annual appropriations for contingencies. The target funding level is equal to ten percent of the total General Fund final budgeted estimated revenues. Funding for the strategic reserve is appropriated annually by the Board as part of the budget approval

The purpose of the County's General Fund strategic reserve is to:

1. Fund settlement of legal judgments against the County in excess of reserves normally designated for litigation.

2. Cover short-term revenue reductions due to economic downturns, for natural disasters as determined by the County Administrative Officer or the Board, and for one-term only State budget reductions that could not be addressed through the annual appropriations for contingencies in the General Fund.

The County has also established a strategic reserve reported as a separate committed fund balance constraint as the Natividad Medical Center Strategic Reserve. See "County Enterprise Funds – Natividad Medical Center" below.

After suspending contributions to the strategic reserve for Fiscal Years 2008-09 and 2009-10 due to budgetary constraints, the Board resumed the contribution in Fiscal Year 2010-11 by creating a sub-commitment. The County's strategic reserve policy ordinance was amended to allow establishing a sub-commitment within the General Fund strategic reserve commitment for Natividad Medical Center (NMC), an Enterprise Fund of the County. A transfer of $14.2 million was made from NMC's unrestricted Net Assets to NMC's sub-commitment under the strategic reserve commitment. The use of this sub-commitment is limited only for the purposes of NMC as determined by the Board. With an accumulated total of $52.3 million in the reserve commitment, the Board opted not to contribute to it in Fiscal Year 2011-12. In Fiscal Year 2012-13, the Board added a General Fund contribution of $8 million increasing the balance in the reserve commitment to a total of $60 million.

State of California Budgets

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

Currently, approximately 35% of the County's 2014-15 General Fund Budget consists of payments from other government agencies including the State of California. The financial condition of the State has an impact on the level of these revenues. In the past the State has turned to counties to help solve the State's budget problems. The State has diverted revenues such as cigarette taxes from counties to the State. The federal government provides approximately 22% of the County's 2014-15 General Fund Budget. The human services departments receive substantial funds for assistance payments and social services programs.

The following information concerning the State of California's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the State budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and the County and the Underwriter take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Proposition 30. The passage of the Governor's November Tax Initiative ("Proposition 30") placed on the November, 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO has estimated that, as a result of Proposition 30, additional State tax revenues of about $6 billion annually from 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2017–18 and 2018–19. Proposition 30 also places into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

California Public Employees' Pension Reform Act. On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA"). Among other things, PEPRA creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31, 2012 has both a lower normal cost and a lower benefit factor at normal retirement age. PEPRA requires that all new employees/members, hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of a current year of service. The County believes that the provisions of PEPRA will help to control its pension benefit liabilities in the future.

Proposed Fiscal Year 2015-16 Budget. The Governor's proposed State budget for Fiscal Year 2015-16 (the "Proposed 2015-16 Budget") was released on January 9, 2015. The Proposed 2015-16 Budget assumes total State general fund revenues and transfers of $108 billion and authorizes total expenditures of $111.7 billion for Fiscal Year 2014-15. The LAO's Overview of the Proposed 2015-16 Budget, released on January 13, 2015 (the "2015-16 LAO Overview"), noted that the State is projected to end Fiscal Year 2014-15 with a general fund surplus of $2.1 billion, comprised of a balance of $452 million in the State's traditional budget reserve and a balance of $1.6 billion in the Budget Stabilization Account. For Fiscal Year 2015-16, the Proposed 2015-16 Budget assumes total State general fund revenues of $113.4 billion and authorizes expenditures of $113.3 billion. In addition, the Proposed 2015-16 Budget revises the Fiscal Year 2013-14 minimum funding guarantee upward to $58.7 billion (an increase of $371 million from the estimate included in the 2014-15 State Budget) and for Fiscal Year 2014-15, revises the minimum funding guarantee to $63.2 billion (approximately $2.3 billion higher than that included in the 2014-15 State Budget). In addition, for Fiscal Year 2015-16, the Proposed 2015-16 Budget sets the minimum funding guarantee at $65.7 billion, including $47 billion from the State general fund, which reflects an increase of $2.6 billion from the revised level for Fiscal Year 2014-15.

The 2015-16 LAO Overview also notes that, despite the increase in the minimum guarantee, the State general fund share is only $371 million with a projected growth in available local property tax collections accounting for the balance, and that for purposes of Proposition 98, Fiscal Year 2015-16 is a "Test 2" year, with the minimum guarantee driven primarily by an increase in per-capita personal income. The LAO noted the following:

- *Higher Revenue Projections and Spending Increases*. The administration projects that general fund tax revenues will end 2014–15 more than $2 billion above its projections in last June's State budget package. Further, the administration projects that the general fund's three major taxes collectively will increase by over $5.6 billion in 2015–16, to a level that is more than $1 billion above administration estimates from last June for the 2015–16 fiscal year. These higher revenue projections result in a multibillion–dollar influx of new funds for schools and community colleges under the Proposition 98 minimum funding guarantee. The administration's budget estimates also assume that general fund spending for Medi–Cal, the State's primary health care program for low–income people, is up by hundreds of millions of dollars in 2014–15, compared to last year's budget assumptions, and by about $800 million above that level in 2015–16. The budget identifies other increased health and human services costs and potential budgetary risks.

- *Governor's Priorities*. In the near term, the Governor's reluctance to propose significant new program commitments outside of Proposition 98 could help avoid a return to the boom and bust budgeting of the past. His proposal to pay off the State government's retiree health liabilities over the next few decades would, if fully funded, address the last of the State government's large unaddressed liabilities. Over the long run, eliminating those liabilities would significantly lower State costs, affording future generations more flexibility in public budgeting. The Governor, however, proposes no additional funds to implement the plan. Proposition 2 provides a stream of dedicated funding for debt payments that is available to address these retiree health liabilities.

- *Higher Revenues Likely for 2014–15*. Recent strong economic data and a surge in State income tax collections in December led the LAO to conclude that the State likely will collect more tax revenue in 2014–15 than the administration now estimates. Barring a sustained stock market drop, an additional 2014–15 revenue gain of $1 billion to $2 billion seems likely. Even bigger gains of a few billion dollars more are possible. Additional revenues in 2014–15 will go largely or entirely to schools and community colleges and could result in a few billion dollars of higher ongoing State payments to schools. Whether tax revenues grow further, stagnate, or, in the worst case, decline in 2015–16 will depend in large part on trends in volatile capital gains and business income. History tells us that the current strength of State revenues, bolstered by a soaring stock market last year, may not continue for long. As the Governor argues, the budget remains vulnerable to downturns that may re–emerge with little warning. Building budget reserves and paying down State debts remain important goals.

Significant proposals or adjustments set forth in the Proposed 2015-16 Budget affecting California public agencies include the following:

- *Law Enforcement*. The Proposed 2015-16 Budget proposes to continue $40 million general fund allocation to "front line" law enforcement activities. The Board of State and Community Corrections allocates funds to individual cities acting as the fiduciary agent within each county receiving the funds.

- *Transportation*. The Proposed 2015-16 Budget includes total funding of $15.8 billion ($84 million general fund and $15.7 billion other funds) for all programs administered within the State Transportation Agency. In addition, the shared revenues budget allocates over $1.4 billion in fuel excise tax to cities and counties for local streets and roads.

- *Elimination of Redevelopment Agencies*. The Proposed 2015-16 Budget anticipates that in 2014‑15 and 2015‑16 combined, cities will receive an additional $580 million, counties $660 million, and special districts $200 million.

- *Property Taxes*. The Proposed 2015-16 Budget anticipates ongoing property tax revenues of more than $900 million annually to be distributed to cities, counties, and special districts that can be used by local governments to fund police, fire, and other critical public services.

- *State Mandate Reimbursements*. The Proposed 2015-16 Budget continues the suspension of most mandates not related to law enforcement or property taxes. After satisfying the Proposition 98 guarantee, additional revenues, up to $800 million, are proposed to pay down the remainder of the State's pre‑2004 mandate debt. The Proposed 2015-16 Budget estimates that the trigger mechanism will result in a $533 million payment toward this mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.

- *Deferred Maintenance*. The Proposed 2015-16 Budget includes $478 million ($125 million general fund) for critical deferred maintenance at universities, community colleges and in State parks, prisons, State hospitals and other State facilities.

- *Education*. The Proposed 2015-16 Budget provides over $1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment, and apprenticeships intended to provide training and education to workers in California so they can develop the skills they need for self-sufficiency and greater personal advancement.

May Revision. On May 18, 2015, the Governor released his May Revision to the Proposed 2015-16 Budget. Overall, the May Revision reflects a $6.7 billion increase in general fund revenues compared to the January Budget. The Constitution, reflecting the voters' priorities, directs the use of these revenues as follows:

- Proposition 98 increases general fund spending by $5.5 billion for K‑12 schools and community colleges.

- Proposition 2 requires that an additional $633 million be saved in the Rainy Day Fund and an additional $633 million be used to pay down debts and liabilities.

Proposition 2 was designed to help the State save when times are good. Higher revenues from capital gains will both be saved and used to pay down debts. By the end of the year, the State's Rainy Day Fund will have a total balance of $3.5 billion.

The May Revision commits new spending in only three additional areas:

- Creating the first‑ever California Earned Income Tax Credit to assist the State's lowest‑income workers. The credit will provide $380 million in benefits to 2 million Californians. This credit — combined with increased funding for education and health care reform, together with an increased minimum wage — will provide increased State support for California's poorest residents.

- Holding tuition flat at the State's universities for California undergraduate students for two more years by providing increased ongoing funding to California State University and temporary assistance to the University of California to pay down its unfunded pension liability.

- Providing health care and other safety net services to currently undocumented immigrants who gain Permanent Residence Under Color of Law status under the President's executive actions.

Further, the May Revision notes near-term application of funds as the State addresses the budgetary debts accumulated over the past decade and a half. In the next three months alone, the State will:

- Repay the remaining $1 billion in deferrals to schools and community colleges (which once peaked at $10 billion).

- Make the last payment on the $15 billion in Economic Recovery Bonds that were used to cover budget deficits from as far back as 2002.

- Repay local governments the final mandate reimbursements for activities completed in 2004 or earlier (totaling $765 million).

The elimination of all of these budgetary debts and a healthier Rainy Day Fund balance is proposed to give the State fiscal capacity when the next recession begins. But these steps alone will not ensure an enduring balanced budget. Already, the commitments that the State made in the past two years are straining the State's finances. Under a projection of current policies, the budget would be upside down by more than $2 billion by 2018‑19.

For the last several years, the Census Bureau has reported that about 16 percent of California residents are living in poverty — slightly above the national average of 14.9 percent. The Census Bureau's supplemental measure of poverty, which considers broader measures of income and the cost of living, reflects a poverty rate of 23.4 percent (a three‑year average). While the State's economic conditions have improved since the Governor's Budget, much of the gains continue to be made by the State's wealthiest residents.

California has an extensive safety net for its neediest residents who live in poverty, and the State has maintained those core benefits despite the recession. In the past two years, the recovering economy has allowed the State to take even greater steps to assist the State's neediest residents. These efforts are assisting millions of Californians.

- The implementation of health care reform has extended coverage under Medi‑Cal to an additional four million Californians in just three years and added new services such as treatment for substance abuse and mental health. The expansion has already increased general fund costs by approximately more than $1 billion annually and that amount will rise to more than $2 billion by 2017‑18 as the federal government begins to reduce its share of costs beginning in 2017. Under the May Revision, coverage will also be provided to immigrants who gain Permanent Residence Under Color of Law status under the President's executive actions. For Medi‑Cal and other programs, this will add general fund costs of an estimated $200 million when the federal changes are fully implemented ($62 million in 2015‑16).

• The Local Control Funding Formula is concentrating the greatest school funding — billions more this year alone — to those students who face the greatest challenges.

• The State increased the minimum wage by 25 percent, to $10 per hour, and guaranteed that 6.5 million workers are eligible for sick leave.

general fund costs to implement these measures will be nearly $250 million by 2016‑17.

Despite these steps, millions of Californians remain below the federal poverty line. The Budget takes additional steps to counteract the effects of poverty:

• Establish the State's first Earned Income Tax Credit to help the poorest working families in California. This targeted credit will provide a refundable tax credit for wages and would focus on the lowest‑income Californians — households with incomes less than $6,580 if there are no dependents or $13,870 if there are three or more dependents. The proposed credit would match 85 percent of the federal credit at the lowest income levels, providing an average estimated household benefit of $460 annually for 825,000 families (representing 2 million individuals), with a maximum benefit of $2,653.

• Provide $1.4 billion ($150 million more than the Governor's Budget) in funding to support a coordinated framework for adult education, career technical education, workforce investment and apprenticeships.

• Establish an amnesty program for those Californians with past due court‑ordered debt from traffic infractions. Participating individuals can reduce their debts by 50 percent, reduce the administrative fees they pay from $300 to $50, and have their drivers' licenses reinstated.

The May Revision additionally addresses the current drought. The State of California has experienced four consecutive years of below‑average rain and snow, and is currently facing severe drought conditions in all 58 counties. The most recent surveys recorded the statewide average snowpack, which is the source for one‑third of the State's water, at just 2 percent of the normal average. Since the Governor first declared a state of emergency in January 2014, the Administration has worked with the Legislature to appropriate approximately $1.9 billion to assist drought‑impacted communities and provide additional resources for critical water infrastructure projects. The State's emergency drought response accelerates several of the key actions in the California Water Action Plan. The May Revision includes an additional $2.2 billion of one‑time resources to continue the State's response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

On June 19, 2015, the State Legislature passed the 2015-16 budget bill and certain related legislation not including the additional changes to the wind-down process for redevelopment agencies discussed above. The budget agreement relies on the administration's May 2015 estimates of (1) general fund revenues, (2) the Proposition 98 minimum guarantee for schools and community colleges, and (3) budget reserve and debt payment requirements under Proposition 2. School and community college funding is the centerpiece of the agreement, as administration estimates of the Proposition 98 minimum guarantee have increased substantially over June 2014 levels. The terms of the budget trailer bill have not yet been approved by the Governor or enacted into law.

Information about the State budget and State spending is available at various State maintained websites. Text of the Proposed Budget, the May Revision and other documents related to the State budget may be found at the website of the DOF, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

Changes in State Budget

The final State Budget, which requires approval by a two-thirds vote of each house of the State Legislature, may differ substantially from the Governor's original budget proposal. Accordingly, the County cannot predict the impact that the 2015-16 budget, or subsequent budgets, will have on its finances and operations. The State Budget will be affected by State and national economic conditions and other factors over which the County will have no control.

Transient Occupancy Tax

Tourism is second only to Agribusiness in Monterey County generating $2.3 billion in spending in 2013 and 2014. Often referred to as the "hotel tax," The County collects transient occupancy tax (TOT) revenues from hotel operators for the privilege of occupancy in any hotel as a percentage of the rent charged by the operator. The tax constitutes a debt owed by the transient to the County which is extinguished only by payment to the operator or to the County. The rate for Monterey County is 10.5%. Monterey County is a destination of choice for many travelers from not only the U.S., but countries across the globe. For this reason, economic conditions both in the U.S. and abroad influence these revenues. Of the 252 lodging properties throughout the County, the occupancy rate is up over the previous year to 64.1%. Local air travel has increased 10%. These increases are due largely to the increased number of international travelers to Monterey County. Transient Occupancy Tax revenues reached an all-time high of $19.9 million. In addition to local tax revenues, tourism contributes 22,000 full time jobs to the local economy.

TOT revenues contributed approximately $19.9 million to General Fund revenues in the Fiscal Year ended June 30, 2014, equating to approximately 3.3% of total General Fund revenues for that fiscal year. TOT revenues are expected to contribute approximately $20.9 million to General Fund revenues in the Fiscal Year ended June 30, 2015.

Table 5
County of Monterey
Transient Occupancy Tax Receipts
Fiscal Years 2007-2015 (Ending June 30)

Fiscal Year	TOT Tax Receipts	Growth Rate
2007	$16,912,274	8.63%
2008	16,441,176	(0.05)%
2009	14,553,941	(11.60)%
2010	13,312,712	(8.40)%
2011	14,249,048	7.03%
2012	16,722,512	17.36%
2013	17,945,479	7.31%
2014 [1]	19,881,258	10.79%
2015 [2]	20,900,000	5.12%

(1) From Monterey County Audited Financial Statements for Fiscal Year Ended June 30, 2014
(2) Estimated
Source: County of Monterey Auditor-Controller.

Sales Taxes

The State collects a tax on retail transactions within the County and rebates 1% to the County. The allocation is in addition to the half-cent sales tax allocated for public safety purposes pursuant to Proposition 172. Sales and use taxes contributed approximately $5.4 million to the County's General Fund revenues in the fiscal year ended June 30, 2014, equating to approximately 1.1% of total General Fund revenues for that fiscal year. The County receives a share of sales tax revenues from unincorporated areas in the County. The following table illustrates, for unincorporated areas of the County only, the historical sales tax receipts to the General Fund for the past five years as well as computed annual rate of change for such periods.

Table 6
County of Monterey
Historical Taxable Sales and Sales Tax Receipts for Unincorporated Areas
Fiscal Years Ending 2011-2015

Fiscal Year	Taxable Sales [1]	Sales Tax Receipts [2]	Growth Rate of Sales Tax Receipts [2]
2010-11	$843,359,000	$6,503,571	--
2011-12	847,858,000	6,398,776	(1.63)%
2012-13	892,758,000	6,699,661	4.70%
2013-14	959,229,000	7,181,613	7.19%
2014-15 [3]	[*]	8,016,614	11.62%

(1) Taxable Sales for unincorporated areas of the County only. Fiscal year basis.
(2) Sales Tax Receipts are for unincorporated areas of the County only. Fiscal Year basis.
(3) Taxable Sales for 2015 are actual receipts through May 19, 2015.
Source: County of Monterey Administrative Office and California State Board of Equalization.

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

Property Taxes

The County collects property taxes against all property on the secured roll in two annual installments. Property taxes are derived on the basis of an ad valorem tax levied against the current assessed valuation of property in the County. Ad valorem property taxes contributed approximately $120.3 million to General Fund revenues, equating to approximately 23% of total General Fund revenues for that fiscal year. Preliminary estimates for Fiscal Year 2014-15 indicate property taxes to the General Fund totaling $127.5 million, an additional $7.2 million increase.

Out of the $120.3 million, $41.4 million pertains to property tax in-lieu of vehicle license fee, and $1.3 million pertains to property tax in lieu of sales tax. See "State Funding of Counties" above. The assessed valuation of property in the County is established by the County Assessor except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in the forepart of this Official Statement.

Taxes are levied for each fiscal year on taxable real and personal property, which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

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

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

Assessed Valuation

The following table represents a ten year history of assessed valuation in the County. The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIIIA of the California Constitution.

Table 7
County of Monterey
Assessed Values of Taxable Property
Last Ten Fiscal Years
(In Thousands of Dollars)

Fiscal Year Ended June 30	Secured Roll (1)	Unsecured Roll (2)	Exemptions (3)	Net Assessed Valuations	Total Direct Tax Rate (4)
2005	$38,434,502	$1,713,181	$(1,235,833)	$38,911,850	1.00%
2006	42,538,965	1,859,928	(1,329,452)	43,069,441	1.00
2007	47,388,757	1,999,660	(1,471,788)	47,916,629	1.00
2008	51,334,367	2,035,086	(1,525,258)	51,844,195	1.00
2009	52,454,129	2,234,086	(1,608,033)	53,080,182	1.00
2010	50,655,874	2,254,022	(1,679,121)	51,230,775	1.00
2011	48,774,186	2,116,423	(1,770,929)	49,119,680	1.00
2012	48,980,011	2,103,408	(1,856,776)	49,226,643	1.00
2013	49,595,091	2,122,678	(1,914,519)	49,803,250	1.00
2014	51,396,835	2,159,991	(2,009,761)	51,547,065	1.00

1. Secured property is generally the real property, which is defined as land, mineral, timber, and improvements such as buildings, structures, crops, trees and vines. Also included in secured roll are unitary properties, including railroads and utilities, which cross the country and are assessed by the State Board of Equalization.
2. Unsecured property is generally personal property, including machinery, equipment, office tools, supplies, mobile homes, and aircraft.
3. Exempt properties include numerous full and partial exclusions/exemptions provided.
4. Article XIIIA, added to the California Construction by Proposition 13 in 1978, fixed the based for valuation of property subject to taxes at the full cash value. Additionally, Proposition 13 limits the property tax rate to 1% of assessed value, plus the rate necessary to fund local voter approved bonds and special assessments.

Source: County of Monterey Administrative Office and California State Board of Equalization.

Tax Levies, Collections and Delinquencies

The County levies and collects all property taxes for property falling within its taxing boundaries. The County has not adopted the alternative method of secured property tax apportionment known as the Teeter Plan, which provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. The table below sets forth the levies, collections and percent of collections and levies for property taxes in the County for the last five fiscal years.

Table 8
County of Monterey
Secured Tax Levies and Delinquencies
Last Ten Years
(In Thousands of Dollars)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy (2)		Collections in Subsequent Years (3)	Taxes Levied Current and Delinquent	Total Collections to Date (4)	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2005	$440,553	$434,059	98.53%	$8,378	$451,676	$442,437	97.95%
2006	487,644	476,758	97.77	7,098	496,596	483,856	97.43
2007	541,741	522,686	96.48	7,930	555,437	530,616	95.53
2008	588,831	556,021	94.43	15,065	613,523	571,086	93.08
2009	603,438	576,924	95.61	29,000	646,268	605,924	93.76
2010	585,686	565,453	96.55	24,288	619,428	589,741	95.21
2011	566,445	552,997	97.63	22,076	603,021	575,073	95.37
2012	573,255	561,891	98.02	12,842	601,215	574,733	95.60
2013	582,546	572,426	98.26	11,742	608,897	584,168	95.94
2014	602,945	595,209	98.72	11,067	627,324	606,276	96.64

1. Includes Secured, Unsecured, and Unitary Taxes levied for the county itself, school districts, cities and special districts under the supervision of their own governing boards. Includes adjustments to the tax rolls from the levy date to delinquency date.
2. Includes amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.
3. Includes adjustments to the levy. Taxes levied less collections to date equal the delinquent taxes receivable.
4. Includes taxes levied (current and delinquent) related to collections for the year.

Source: County of Monterey Property Tax Records.

The following table represents the ten largest taxpayers of local secured property taxes within the County as of June 30, 2014.

Table 9
County of Monterey
Largest Taxpayers
For The Year Ended June 30, 2014

Taxpayer	Type of Business	Taxable Assessed Value ($'000)	Rank	Percentage of Total County Assessed Value
Pebble Beach Company	Tourism	$ 716,702	1	1.39%
Pacific Gas & Electric Company	Utility	493,521	2	0.96
Chevron USA Inc.	Petroleum	408,145	3	0.79
Aera Energy LLC	Utility	406,152	4	0.79
Dynergy Moss Landing LLC	Utility	357,781	5	0.69
Northridge Owner LP	Retail	121,207	6	0.24
California- American Water Company	Utility	118,469	7	0.23
Pacific Bell Telephone Company	Utility	97,546	8	0.19
Scheid Vineyards California Inc.	Agriculture	94,274	9	0.18
Pacific Holdings LP ET AL	Real Estate	94,246	10	0.18
Duke Energy Moss Landing LLC	Utility	--		--
King City LP	Real Estate	--		--
DDI Salinas II LLC et al	Real Estate	--		--
Pacific Wine Partners	Agriculture	--		--
San Bernabe Vineyards LLC	Agriculture	--		--
Ten Largest Taxpayers' Total		2,908,043		5.64
All Other Taxpayers' Total		48,639,022		94.36
Total		$51,547,065		100.00%

Note:
For Total Taxable Assessed Value refer to Table 7 "Assessed Values of Taxable Property".
Source: County of Monterey Property Tax Records.

Outstanding General Fund Debt

As of June 30, 2014, the County was obligated to make payments for debt service on approximately $253.9 million of then currently outstanding aggregate principal amount of long-term bond, note, and loan obligations, which includes $25.6 million payable to the Bureau of Reclamation. This was a decrease of $14.3 million prior year of $268.2 million.

The following table summarizes the County's long-term debt outstanding for the fiscal year ended June 30, 2014.

Table 10
County of Monterey
Long-Term Debt Outstanding
For the Year Ended June 30, 2014

	Maturity	Interest Rates	Principal Installments	Date of Issue	Amount Authorized	Outstanding June 30, 2014
Governmental activities						
Certificates of participation						
2007 issue *(defeased the 1993 sheriff facility and the 2001 issue master plan financing issue plus new monies for completion of public health and court related facilities)*	2038	4.0% - 5.0%	\$2,785,000 - \$6,845,000	2007	\$144,400,000	\$117,215,000
NGEN Issue *(finance acquisition, construction and installation of communications system)*	2023	3.95%	\$508,887 - \$818,645	2010	8,518,628	6,919,432
Judgment obligation bonds *(liquidate litigation liabilities)*	2014	3.0% - 4.0%	\$695,000 - \$870,000	2004	7,470,000	-
Revenue bonds - Special Districts						
Agencies under Board of Supervisors	2036	5.0%	\$16,000 - \$37,000	1980-95	56,859,700	752,000
Revenue bonds - Water Resources						
Agencies under Board of Supervisors *(finance Salinas Valley water project)*	2038	4.0% - 5.0%	\$550,000 - \$ 2,085,000	2008	32,855,000	30,525,000
Notes payable - Parks & Recreation *(acquire recreational properties)*						
San Antonio Lakes Resort	2023	5.0%	33095	2007	4,185,000	2,702,007
Lake Nacimiento Resort	2023	5.0%	89478	2007	11,315,000	7,305,476
Loans payable - Bureau of Reclamation						
Agencies under Board of Supervisors *(infrastructure and facility improvements)*	2037	1.65% - 7.63%	\$16,847 - \$1,207,699	1995	35,035,790	25,589,537
Special assessment bonds with governmental commitment:						
General County-Chualar Water District *(infrastructure and facility improvements)*	2025	4.25% - 7.2%	\$4,000 - \$26,000	1984-93	257,000	121,000
					\$300,896,118	\$191,129,452
Business-type activities						
Loan payable	2015	2.13% (avg.)	\$237,000 - \$263,000	2010	15,000,000	4,668,388
Certificates of Participation [1] *(NMC Improvements)*						
2007 COP Refunding	2029	4% - 5%	\$230,000-\$575,000	2007	8,280,000	6,420,000
2009 Refunding	2024	2% - 5.25%	\$2,175,000 - \$4,225,000	2009	43,700,000	34,065,000
2010 Refunding	2027	2% - 4%	\$65,000 - \$4,920,000	2010	17,845,000	17,645,000
					\$84,825,000	\$62,798,388

(1) The County's Certificates of Participation, Natividad Medical Center Improvement Project are payable from the County's General Fund, although the County is and expects to be reimbursed from Natividad Medical Center revenues. In the event Natividad Medical Center revenues are insufficient, the County remains obligated to make principal and interest payments with respect to the Certificates of Participation. See "*Natividad Medical Center*" below.

Source: The County.

The County is a party to capital equipment leases and operating leases requiring annual lease payments by the County. See APPENDIX B – "COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014."

Dissolution of Redevelopment

In 2011, the State adopted legislation to dissolve all redevelopment agencies in the State. The dissolution was effective on February 1, 2012. The County had not established a redevelopment agency nor any redevelopment project area and, as such, dissolution has had no direct impact on the County, however the County has received increased tax revenues. At the end of the Fiscal Year 2013-14, the General Fund unassigned fund balance increased $12.9 to $17.6 from the prior year unassigned fund balance. The increase is a result of both the Redevelopment Dissolution Act, which infused fund balance with one-time transfers and additional tax increment, and also the economic recovery, which produced favorable results in General Fund revenues. For the same period, the County's governmental funds reported total fund balances of $241.1, an increase of $22.7 from the prior year total fund balances. The increase is mainly attributed to the recovery in property tax revenue, growth in transient occupancy tax receipts, and receipt of tax increment authorized under the Redevelopment Dissolution Act.

County Enterprise Funds

The County has two business-type activities: Natividad Medical Center and the Parks and Lake Resort, which provides an assortment of outdoor and recreational activities associated with, and on the lands surrounding, Lake San Antonio and Lake Nacimiento. Natividad Medical Center is the County's second largest fund, after the General Fund, with appropriations totaling $219.3 million, or about one-fifth of the County's budget.

Natividad Medical Center. The Natividad Medical Center ("NMC") is owned and operated by the County and governed by the Board with the assistance of a separate Board of Trustees. Founded in 1886, the NMC is a 172-bed, acute-care teaching hospital specializing in family medicine and affiliated with the University of California at San Francisco Medical School. NMC currently operates hospital based specialty clinics and provides medical/surgical hospital services as part of its medical office complex. NMC also networks with a variety of community providers and County primary care clinics. In January 2015, NMC was designated as a Level II Trauma Center. As a County entity, NMC is mandated to treat patients, regardless of ability to pay.

The mission of NMC is to provide high-quality, cost-effective health care to all residents of the community. NMC is one of 11 California County operated "safety net" hospitals providing basic health care services, regardless of ability to pay. In this respect, counties fill a critical niche left by private hospitals, which are not legally bound to provide services except for emergency services. However, this role can impose a financial burden on county hospitals.

NMC accounts for hospital operations involved in providing health services to County residents. Revenues are principally fees for patient services, payments from federal and state programs such as Medicare, Medi-Cal and Short-Doyle, realignment revenues and subsidies from the General Fund.

The County has also established a strategic reserve reported as a separate committed fund balance constraint, designated as the Natividad Medical Center Strategic Reserve. The Natividad Medical Center Strategic Reserve is funded with unrestricted NMC net position and can be used only for NMC purposes, as determined by the Board based on recommendations of the NMC Board of Trustees.

In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. NMC is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations and/or interpretive guidance. However, NMC expects that several provisions of the Health Care Reform Legislation will have a material effect on its business.

NMC receives several sources of support payments from federal and State sources. See Note 15 to the Comprehensive Annual Financial Report included in APPENDIX B hereto.

NMC experienced a net operating gain of $2.5 and a net non-operating loss of $1.0 in Fiscal Year 2013-14. This fiscal year shows a decrease in net position of $1.8 due to transfers-out of $3.2; $0.8 for realignment program, and $2.4 for one-time reimbursement by NMC to the General Fund. Additional reduction in net position of $1.5 due to prior period adjustment has brought its ending net position to a balance of $117.5, which is 2.7% lower than Fiscal Year 2013-14.

Parks and Lake Resort. Parks experienced a net operating loss of $3.1 and a net non-operating loss of $0.2, but resulted to a positive change in net position of $0.8 due to various transfers in of $4.1. The operating loss was caused by operating expenses exceeding operating revenues for the fund.

Investments of County Funds; County Pool

All funds in the County Treasurer's Pooled Investments (the "County Pool") are invested by the County Treasurer, according to Sections 53601 and 53635, *et seq*. of the California Government Code and the County's Investment Policy (the "Investment Policy") prepared by the County Treasurer. The Investment Policy is submitted to the Board for review and approval on an annual basis, and the Treasurer presents a performance review of the County Pool to the Board on a quarterly basis. The County Pool represents moneys deposited by the County and school and special districts within the County. There are no voluntary depositors in the County Pool. The Investment Policy requires that all investments comply with the California Government Code, and provides that the County Treasurer will establish and define authorized investments as well as credit, marketability, maturity and diversification criteria for the investments. The stated goal of the Investment Policy, in order of priority, is to minimize risk to principal, provided that cash is available to meet anticipated needs, and maximize earnings. The County Treasurer or her designee reviews the investment records, the contents of the County Pool, and the specific financial institutions with whom investments have been made.

The total amortized book value of the County Pool as of June 30, 2015 was $1,120,854,255 spread among 78 separate investments of which 49.6% (approximately $555,943,710) represented the County's share with the remaining balance belonging to school, community college and special districts. Of the County's share, approximately 3.4%, or $19,093,159, was allocable to funds held for restricted purposes, including trust and agency funds held for the benefit of third parties. The market value was $1,120,818,419 and was 100% of the amortized cost basis. The County Pool's weighted average yield was 0.72%, and its earned income for the quarter ended June 30, 2015 was $2,061,464. The weighted average maturity of the portfolio was 422 days. Approximately 38.7% (approximately $434,174,319 par value) of the County Pool was in cash or invested in instruments with one-day maturities, including repurchase agreements with dealers and money market funds. Approximately 1.78% (approximately $20,000,000 par value) was in Treasury Bills maturing within approximately 930 days. Approximately

50.07% (approximately $560,000,000 amortized book value) of the County Pool was invested in various U. S. Treasury and federal agency securities. Approximately 8.52% (approximately $94,000,000 par value) of the County Pool consisted of corporate notes rated A3/A or better. The County Pool contains no reverse repurchase agreements; securities lending may be employed within any quarter but is restricted to a maximum of 20% of the portfolio. As of June 30, 2015, none of the portfolio's securities were lent out. The pool contains no inverse floating rate instruments.

Pension Benefits

Pension and Other Post-Employment Benefits. The County contributes to the State of California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. CalPERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Changes in actuarial assumptions and benefit levels in the recent past have significantly increased pension cost estimates. Current required contributions are determined by reference to the June 30, 2014, actuarial valuations provided by CalPERS in October 2014 (the "2014 CalPERS Report"), using the entry age normal actuarial cost method.

Funding Policy. Active plan members in CalPERS are required to contribute a percentage of their annual covered salary, which is 7% for miscellaneous employees and 12% for public safety employees. The County is required to contribute at an actuarially determined rate. For Fiscal Year 2013-14, the employer rate is 10.926% for miscellaneous members and 28.962% for safety members. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost. For Fiscal Year 2013-14, the County's required and actual contribution was $41,860,055.

Table 11
County of Monterey
Annual CalPERS Costs

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Safety Plan:		
June 30, 2014	$14,352,587	100%
June 30, 2013	12,974,125	100
June 30, 2012	13,371,881	100
Miscellaneous Plan:		
June 30, 2014	$27,507,468	100%
June 30, 2013	25,696,483	100
June 30, 2012	25,869,754	100

Source: County of Monterey Auditor-Controller and 2014 CalPERS Report.

The required contribution for Fiscal Year 2013-14 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.3% to 14.2% depending on age, service and type of employment; and (c) 3% cost of living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of plan assets was determined using a technique that smoothes the effect of the short term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was twenty-six years for the miscellaneous group and thirty-two years for the public safety group.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. A current comparison of CalPERS costs for Fiscal Years 2010-11 through 2015-16 is shown below.

	Miscellaneous Plan			Safety Plan		
Fiscal Year	**Employer Normal Cost Rate**	**Employer Payment of Unfunded Liability**	**Total Employer Contribution Rate**	**Employer Normal Cost Rate**	**Employer Payment of Unfunded Liability**	**Total Employer Contribution Rate**
2010-11	7.975%	2.150%	10.125%	15.366%	10.978%	26.344%
2011-12	7.757	3.099	10.856	15.803	12.051	27.854
2012-13	7.710	3.059	10.769	15.743	11.517	27.260
2013-14	7.907	3.019	10.926	16.530	12.432	28.962
2014-25	7.695	4.081	11.776	15.705	12.390	28.095
2015-16	7.892	4.954	12.846	15.678	14.502	30.180

Source: County of Monterey Auditor-Controller and 2014 CalPERS Report.

See also Note 10 to the Comprehensive Annual Financial Report included in APPENDIX B hereto.

Funded Status and Funding Progress. The following is the funded status information (in thousands) for each plan as of June 30, 2013, the most recent actuarial valuation date:

	Entry Age Normal Accrued Liability	**Actuarial Value of Assets**	**Unfunded/ (Overfunded) Liability**	**Annual Covered Payroll**	**UAAL as a % of Payroll**
Safety	$ 482,245	$ 335,018	$ 147,227	$ 46,697	315.28%
Miscellaneous	1,311,214	1,052,650	258,564	254,581	101.56

Source: County of Monterey Auditor-Controller and 2014 CalPERS Report.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The tables below show a 6-year analysis of the actuarial value of assets of the retirement plans as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30.

Table 12
Funded Status - Miscellaneous Plan
(dollars in thousands)

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Liability (UAAL)	Actuarial Funded Ratio	Market Value Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
2013*	$1,311,214	$1,052,650	$1,052,650	$258,564	80.3%	80.3%	$254,581	--
2012	1,257,304	1,112,195	937,183	145,110	88.5	74.5	260,100	--
2011	1,169,818	1,047,556	940,247	122,262	89.5	80.4	256,825	--
2010	1,092,491	978,403	773,367	114,088	89.6	70.8	257,248	44.3%
2009	1,033,506	918,422	674,183	115,084	88.9	65.2	255,212	45.1
2008	936,249	862,966	880,219	73,283	92.2	94.0	235,275	31.1

* Beginning with the June 30, 2013 CalPERS valuation, Actuarial Value of Assets as reported by CalPERS equals Market Value of Assets as a result of CalPERS Direct Rate Smoothing Policy.
Source: County of Monterey Auditor-Controller and 2014 CalPERS Report.

Table 13
Funded Status - Safety Plan
(dollars in thousands)

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Liability (UAAL)	Actuarial Funded Ratio	Market Value Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
2013*	$482,245	$335,018	$335,018	$147,227	69.5%	69.5%	$46,698	--
2012	456,415	337,200	298,950	99,215	78.3	65.5	47,587	--
2011	444,376	336,316	299,767	108,060	75.7	67.5	48,544	--
2010	414,498	313,835	245,671	100,663	75.7	59.3	50,332	200.0%
2009	395,268	293,618	212,756	101,650	74.3	53.8	49,244	206.4
2008	363,113	275,250	278,725	87,863	75.8	76.8	45,713	192.2

* Beginning with the June 30, 2013 CalPERS valuation, Actuarial Value of Assets as reported by CalPERS equals Market Value of Assets as a result of CalPERS Direct Rate Smoothing Policy.
Source: County of Monterey Auditor-Controller and 2014 CalPERS Report.

Actuarial Methods and Assumptions. On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members, PEPRA also effectively closed all existing active risk pools to new employees. As such it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payroll would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations.

By combining the pools this way the payroll of the risk pools and the employers within the pools can once again be expected to increase at the assumed 3 percent annual growth. However two important changes are being made which will affect employers.

1. Beginning with Fiscal Year 2015-16 CalPERS will collect employer contributions toward the unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund payments the plan's normal cost contribution will continue to be collected as a percentage of payroll.

2. The pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by plan individual payroll. This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

The impact of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation for the 2015-16 rates.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014, the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies seen in CalPERS membership and expected continued improvements. The new actuarial assumptions will be used to set the Fiscal Year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

The projected future employer contribution rates for the County are as follows. Projected future employer contribution rates are shown based on the 2014 CalPERS Report for a June 30 fiscal year end.

Fiscal Year	**Safety Plan Employer Normal Cost Rate**	**Miscellaneous Plan Employer Normal Cost Rate**
2015-16	30.180%	12.846%
2016-17	34.1	13.7
2017-18	35.9	14.2
2018-19	37.8	14.8
2019-20	39.6	15.3
2020-21	39.9	15.2

Source: 2014 CalPERS Report.

See also Note 10 to the Comprehensive Annual Financial Report included in APPENDIX B hereto.

Other Post-Employment Benefits (OPEB). The County of Monterey Retiree Healthcare Plan (Plan) is a single employer defined benefit healthcare plan administered by the County. The Plan provides healthcare insurance benefits to eligible retirees. Benefit provisions are established and may be amended by the County.

The County provides retiree medical benefits through the California Public Employees' Retirement System healthcare program. The County contributes the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum required employer contribution ($119 per month in 2014) towards the retiree monthly premium for eligible retirees participating in PEMHCA.

Funding Policy. The contribution requirements of the plan members and the County are established and may be amended by the County. The County prefunds all or a portion of the plan through the California Employers' Retiree Benefit Trust (CERBT) by contributing up to 100% of the annual required contribution.

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension. The County's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 20 years. The Fiscal Year 2013-14 ARC is $3,796,000.

For Fiscal Year 2013-14, the County paid a total of $4,092,000 to the CERBT. Of this amount, $1,035,000 was paid for healthcare insurance benefits for eligible retirees, and $3,057,000 was paid to fund future retirees' healthcare.

CERBT is a tax qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre fund retiree healthcare benefits. CERBT issues a publicly available financial report including GASB 43 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans disclosure information in aggregate with the other CERBT participating employers. That report may be obtained by contacting CalPERS, Executive Office, 400 P Street, Sacramento, CA 95814.

The following are the components of the County's annual OPEB cost for the fiscal year ended June 30, 2014:

Annual Required Contribution (ARC)	$3,796,000
Interest on net OPEB obligation actuarial estimate	492,000
Amortization of net OPEB obligation actuarial estimate	(697,000)
Annual OPEB cost (expense)	3,591,000
Contributions made	(4,092,000)
Increase (decrease) in net OPEB obligation	(501,000)
Net OPEB obligation, beginning of year	6,779,438
Net OPEB obligation, end of year	6,278,438

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan (as described in the funding policy above), and the net OPEB obligation for Fiscal Year 2013-14 and the prior two fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$3,591,000	114.0%	$6,278,438
June 30, 2013	3,869,000	103.9	6,779,438
June 30, 2012	3,780,000	112.9	6,930,493

General Fund, Road Fund, Library, In Home Supportive Services, Office of Employment Training, Community Action Partnership, Behavioral Health, Parks Lakes, Water Resources, and NMC funds have been used to liquidate the net other postemployment benefit obligation.

Funded Status and Funding Progress. The funded status of the plan, based on an actuarial valuation as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows (amounts in thousands):

Actuarial accrued liability (AAL)	$36,655
Actuarial value of plan assets	11,839
Unfunded actuarial accrued liability (UAAL)	24,816
Funded ratio (actuarial value of plan assets/AAL)	32.30%
Covered payroll (active Plan members)	298,873
UAAL as a percentage of covered payroll	8.30%

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

In the June 30, 2013 actuarial valuation, dated August 13, 2014, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is the expected long term investment return on CERBT investments, and an annual healthcare minimum cost trend rate of 4.5% after 3 years (actual healthcare minimum costs were used for the first 3 years). This rate includes a 3% inflation assumption. The actuarial value of assets is equal to the market value. The UAAL is being amortized as a level percentage of projected payroll over 20 years on a closed basis. The remaining amortization period at June 30, 2014 was 14 years.

The table below shows an analysis of the actuarial value of assets of the Retiree Healthcare Plan as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30.

Table 14
Retiree Healthcare Plan
(dollars in thousands)

Valuation Date (June 30)	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL)	Actuarial Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
2013*	$36,655	$11,839	$24,816	32.3%	$298,873	8.3%
2011	31,719	4,434	27,299	14.0	288,974	9.4
2009	23,292	1,500	23,142	0.6	293,876	7.9
2007	28,297	--	28,297	0.0	256,156	11.0

* Beginning with the June 30, 2013 CalPERS valuation, Actuarial Value of Assets as reported by CalPERS equals Market Value of Assets as a result of CaIPERS Direct Rate Smoothing Policy.
Source: County of Monterey Auditor-Controller and Bartel Associates LLC.

Statement of Direct and Overlapping Debt

Contained within the County are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds. Set forth below is a statement of direct and overlapping debt as of June 1, 2015 (the "Debt Statement") prepared by California Municipal Statistics, Inc. The Debt Statement is included for general information purposes only. The County has not reviewed the Debt Statement for completeness or accuracy and makes no representations in connection therewith.

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

Table 15
County of Monterey
Direct and Overlapping Debt (As of June 1, 2015)

2014-15 Assessed Valuation: $54,466,446,505

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/15	
Hartnell Community College District	99.808%	$121,731,101	
Monterey Peninsula Community College District	100.	113,164,450	
Carmel Unified School District	100.	33,093,445	
Monterey Peninsula Unified School District	100.	53,970,988	
North Monterey County Unified School District	100.	29,915,000	
Pacific Grove Unified School District	100.	50,135,000	
Soledad Unified School District	100.	28,809,036	
King City Joint Union High School District	98.853	8,160,315	
Salinas Union High School District and School Facilities Improvement District	100.	36,078,695	
Alisal Union School District	100.	32,748,165	
Greenfield Union School District	100.	8,946,397	
Salinas City School District	100.	24,370,000	
Santa Rita Union School District	100.	22,067,260	
Washington Union School District	100.	11,895,000	
Other School Districts	Various	43,966,347	
City of Marina	100.	7,925,000	
City of Pacific Grove	100.	270,000	
Soledad Community Hospital District	100.	940,000	
Community Facilities Districts	100.	3,512,542	
City 1915 Act Bonds	100.	13,585,000	
Special District 1915 Act Bonds	100.	4,541,000	
Monterey County Water Resources Agency Benefit Assessment District Zone 2C	**100.**	**29,885,000**	
Monterey County Special Assessment Bonds	**100.**	**113,000**	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$679,822,741	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Monterey County Certificates of Participation	**100. %**	**$119,181,768**	**(1)**
Monterey County Revenue Bonds	**100.**	**684,000**	
Monterey County Board of Education Certificates of Participation	100.	1,730,000	
North Monterey County Unified School District Certificates of Participation	100.	11,840,000	
King City Joint Union High School District General Fund Obligations	98.853	12,371,453	
Other School District General Fund Obligations	Various	19,581,385	
City of Carmel General Fund Obligations	100.	6,435,000	
City of Cannel Pension Obligations	100.	5,005,000	
City of Gonzales General Fund Obligations	100.	4,175,000	
City of Marina Pension Obligations	100.	1,470,000	
City of Monterey General Fund Obligations	100.	8,225,000	
City of Pacific Grove Pension Obligations	100.	10,252,079	
City of Salinas Certificates of Participation	100.	35,386,000	
City of Seaside Pension Obligations	100.	5,420,000	
Monterey County Fire Protection District Pension Obligations	100.	8,105,000	
Pajaro/Sunny Mesa Community Services District General Fund Obligations	100.	375,000	
TOTAL DIRECT AND OVERLAPPING GENERAL GOVERNMENT DEBT		$250,236,685	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	100	$77,462,445	
TOTAL DIRECT DEBT		**149,863,768**	
TOTAL OVERLAPPING DEBT		857,658,103	
COMBINED TOTAL DEBT		$1,007,521,871	(2)

Ratios to 2014-15 Assessed Valuation:	
Total Direct and Overlapping Tax and Assessment Debt	1.25 %
Total Direct Debt ($149,863,768)	**0.28 %**
Combined Total Debt	1.85 %
Ratios to Redevelopment Incremental Valuation ($4,436,251,434):	
Total Overlapping Tax Increment Debt	1.75 %

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(1) Percentage of overlapping debt applicable to county is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the county divided by the districts total taxable assessed value. Excludes the Certificates described in this Official Statement.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Labor Relations

There are 17 formal labor units, listed in Table 16 below, representing County employees. Supervisors, management, confidential employees, certain attorneys and certain other employees are not represented by an exclusive bargaining agent. Salaries and benefits are determined through a process of "meet and confer" with representatives from each of these classifications. All employees' salaries are subject to periodic renegotiation.

Table 16
County of Monterey
Labor Relations

	Bargaining Unit	Labor Organization	Number of Employees[1]	Contract Expiration
1.	Safety Unit	Deputy Sheriff's Association	276	June 30, 2016
2.	Safety Supervisors	Deputy Sheriff's Association	38	June 30, 2016
3.	Safety Management	Deputy Sheriff's Association	12	June 30, 2016
4.	Deputy District Attorneys	Deputy District Attorneys Association	48	June 30, 2016
5.	Deputy Public Defenders	Deputy Public Defenders Association	26	June 30, 2016
6.	Probation Supervisors	Probation Association	9	June 30, 2016
7.	Probation Officers	Probation Association	179	June 30, 2016
8.	Probation Managers	Probation Managers Association	18	June 30, 2016
9.	Supervisory	Service Employees International Union 521	255	June 30, 2016
10.	County Counsel	Monterey County Counsel Employees Assoc.	16	June 30, 2016
11.	Health Care Unit	Service Employees International Union 521	384	June 30, 2016
12.	General Employees	Service Employees International Union 521	1,541	June 30, 2016
13.	Social Services	Service Employees International Union 521	625	June 30, 2016
14.	Resident Physicians	Service Employees International Union 521	27	December 31, 2017
15.	Park Rangers	Park Rangers Association	12	June 30, 2014 [2]
16.	Park Ranger Supervisors	Park Rangers Association	3	June 30, 2014 [2]
17..	Registered Nurses	Monterey County Registered Nurses Assoc.	331	December 31, 2015
			3,800	

[1] Full time equivalents are based on filled positions, calendar year 2015.
[2] The parties are currently operating under a Memorandum of Understanding.
Source: County of Monterey.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Rental Payments Not County Debt

The obligation of the County to make the Rental Payments, including the Base Rental Payments, does not constitute a debt of the County or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease Agreement to pay the Rental Payments from any source of legally available funds and the County has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Rental Payments in its annual budgets and to make necessary annual appropriations therefor. The County is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Rental Payments.

The County has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Rental Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Rental Payments and other payments due under the Lease Agreement.

Abatement

In the event of substantial interference with the County's right to use and occupy any portion of the Property by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT – Abatement." In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient or unavailable to provide for complete repair or replacement of such portion of the Property or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full.

Natural Disasters and Seismic Considerations

The areas at and surrounding the Property, like those in much of California, may be subject to unpredictable seismic activity. Generally, within the State, some level of seismic activity occurs on a regular basis. During the past 150 years, California has experienced several major and numerous minor earthquakes. The County experienced a major earthquake most recently in 1989, with the Loma Prieta Earthquake, which occurred on October 17, 1989. The Loma Prieta Earthquake, with an epicenter approximately 60 miles south of San Francisco, and approximately 45 miles north of the County, measured 7.1 on the Richter scale at its epicenter. Past experience cannot predict certain future results, however, certain facilities comprising the Property, the Salinas Courthouse and the Monterey Courthouse, withstood the Loma Prieta Earthquake without material damage. The County Jail suffered only minimal damage.

Absence of Earthquake and Flood Insurance

The County is not required by the Lease Agreement to maintain earthquake coverage with respect to the Property and the County does not expect to purchase such coverage. However, the Property currently meets all standards for seismic strength required by the State. The County is not required, and has not determined, to obtain such insurance in the future, and no assurance can be made that the County will procure and maintain, or continue to procure and maintain, any such insurance.

Limited Recourse on Default

If the County defaults on its obligations to make Rental Payments, the Trustee, as assignee of the Corporation, may (subject to the restrictions described below) retain the Lease Agreement and hold the

County liable for all Rental Payments on an annual basis and will have the right to re-enter and re-let the Property. In the event such re-letting occurs, the County would be liable for any resulting deficiency in Rental Payments. Alternatively, the Trustee may terminate the Lease Agreement with respect to the Property and proceed against the County to recover damages pursuant to the Lease Agreement.

Due to the specialized nature of the Property, no assurance can be given that the Trustee will be able to re-let any portion of the Property so as to provide rental income sufficient to make payments of principal and interest evidenced by the Certificates in a timely manner, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Certificates. In addition, due to the governmental function of the Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such re-letting will not adversely affect the exclusion of any interest component of Base Rental Payments from federal or state income taxation.

No Acceleration Upon Default

In the event of a default, there is no available remedy of acceleration of the Rental Payments due over the term of the Lease Agreement. The County will only be liable for Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Rental Payments.

Substitution or Release of Property

The Lease Agreement provides that, upon satisfaction of certain conditions specified therein, the County may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property. Although the Lease Agreement requires (except as provided under the caption "THE PROPERTY – Term of Lease as to Certain Property") that the Property, as constituted after such substitution or release, among other things (i) has an annual fair rental value greater than or equal to 105% of the maximum amount of the Base Rental Payments coming due in the then current Rental Period or any subsequent Rental Period, and (ii) has a fair replacement value at least equal to the aggregate amount of principal evidenced by the Certificates then Outstanding, the Lease Agreement does not require that such property have an annual fair rental value equal to 100% of the annual fair rental value of the property comprising the Property at the time of substitution or release. Thus, a portion of the real property comprising the Property could be replaced with less valuable property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Rental Payments were to occur subsequent to such substitution or release. See "THE PROPERTY – Term of Lease as to Certain Property" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –LEASE AGREEMENT – Substitution or Release of the Property." Notwithstanding any such substitution or release, there will be no reduction in or abatement of the Rental Payments due from the County under the Lease Agreement solely as a result of such substitution or release.

Bankruptcy

In addition to the limitations on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Limitations on Remedies

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the County, may become subject to the federal bankruptcy code (Title 11, United States Code) (the "Bankruptcy Code") and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the U.S. Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Certificates, the Trustee and the Corporation could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the County under the Lease Agreement.

No Liability of Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Revenue Sources to Pay Rental Payments

The County receives a significant portion of its annual funding from subventions by the State. As a result, decreases in the revenues received by the State can affect subventions made by the State to the County and other counties in the State. The potential impact of State budget actions for future fiscal years on the County in particular, and other counties in the State generally, is uncertain at this time. See "COUNTY FINANCIAL INFORMATION – State of California Budgets."

Cash Management

To the extent the Board makes needed budget adjustments and maintains a balanced budget, the County has numerous internal or external means to manage its cash flow, including but not limited to interfund borrowing, intrafund borrowing and tax and revenue anticipation notes. If the County does not take required actions and the budget is out of balance, the cash requirements of the County may exceed available cash flow. The ability of the County to borrow on an interim basis to meet any cash shortfalls also may be limited if the budget remains out of balance for a sustained period of time The County has the legal authority to issue "warrants" in place of cash to meet various types of expenditures or appropriations as an additional means to manage its cash flow. See "COUNTY FINANCIAL INFORMATION."

Limitation on Revenues

There are limitations on the ability of the County to increase revenues. The ability of the County to increase the *ad valorem* property taxes (which have historically been an important source of revenues for counties in California) is limited pursuant to Article XIIIA of the State Constitution, which was enacted in 1978. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIA of the California Constitution."

The County receives a significant portion of its revenue from State and federal sources. Decreases in revenues received by the State can affect subventions made to the County and other counties in the State. In addition, actions taken by Congress and federal executive branch agencies including, without limitation, reductions in federal spending, could materially reduce the revenues received by the County.

Changes in Law

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or create laws resulting in a reduction of moneys available to pay the Rental Payments. Similarly, the California electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution which could have the effect of reducing moneys available to pay the Rental Payments.

Drought and Emergency Drought Response

The State of California has experienced four consecutive years of below-average rain and snow, and is currently facing severe drought conditions in all 58 counties. The most recent surveys recorded the statewide average snowpack, which is the source for one-third of the State's water, at just 2 percent of the normal average. On March 27, 2015, Governor Brown signed emergency legislation (AB 91 and 92) that will mandate reductions in residential use and expedite $1 billion for drought and water infrastructure projects, including emergency food aid, drinking water, water recycling, conservation awareness, and flood protection. The action comes as the Sierra Nevada snowpack, which Californians rely on heavily during the summer for their water needs, is near a record low. Previously, on January 17, 2014, Governor Brown proclaimed a State of emergency due to the severe drought conditions faced by the State. Legislation was enacted in February which provided $687.4 million to support drought relief.

Since the State Governor first declared a State of emergency in January 2014, the Administration has worked with the State Legislature to appropriate approximately $1.9 billion to assist drought-impacted communities and provide additional resources for critical water infrastructure projects. The State's emergency drought response accelerates several of the key actions in the California Water Action Plan. The 2014-15 State Budget included additional one-time resources to continue immediate drought-related efforts started in 2014, such as an increase of $53.8 million General Fund and $12.2 million other funds for firefighting efforts, and an increase of $18.1 million General Fund to aid in assessing water conditions and provide public outreach regarding water conservation. The 2015-16 State Budget includes an additional $2.2 billion of one-time resources to continue the State's response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

Hydrology in the western United States and the quantity of groundwater supplies are subject to cyclical changes, changes in climate and rainfall and levels of use. The County can make no assurances as to the reliability or adequacy of future supplies to meet future demands. However, in 2015, the County, through the Monterey County Resource Management Agency, commissioned a report by Brown and Caldwell, described as the largest engineering consulting firm solely focused on the U.S.

environmental sector ("Brown & Caldwell"), for a near-term assessment of the condition of the Salinas River Groundwater Basin (Basin) in terms of its groundwater resources within the area defined as Zone 2C (the principal survey area being that area which largely straddles the Salinas River in which a majority of County residents live) and the status of seawater intrusion in the northern Salinas Valley. See "Dependence of County on Agriculture" and "Salinas River Groundwater Basin" below for further information.

Dependence of County on Agriculture

The County's economy is dependent in large part on the agricultural industry, the largest industry in the County, which provided approximately 24% of all employment in the County in Fiscal Year 2014-15. The County continues to be a leader in California agricultural with more than 40 crops exceeding a production value of $4.4 billion for the County. Area production is diverse. Vegetable Crops were the single largest production category by dollar value, comprising 65% of the County total crops. Lettuce dominated this category ($1.2 billion), followed by broccoli ($427 million), celery ($217 million), and spinach ($123 million). Fruit & Nut Crops represented the second largest category (26%) and consisted mostly of strawberries ($869 million) and wine grapes ($227 million). In recent years, Monterey County has become one of the largest premium grape growing regions in California, with over 40,000 acres of wine grapes. Together, these two major categories accounted for 91% of the county's direct farm production values, which were $4.38 billion.

Many factors can influence the overall health of the agricultural industry, including a reliable and affordable water supply, product supply and demand, and ecological and natural conditions and events. The economic viability of the County will, in part, be subject to all the risks generally associated with agriculture production, shipping, processing and handling including, without limitation, general market demands, preferences and consumer tastes, changes in general economic conditions, climate and weather conditions, environmental hazards, fluctuations in the market prices, natural disasters (including, without limitation, earthquakes and floods) which may result in uninsured losses, and by other similar factors. Further, future governmental policies, including, but not limited to, those which may be imposed by the State or federal government and their respective agencies, and other governmental policies to restrict or control agriculture production, biological terrorism, and immigration or workforce factors can be expected to impact the County's agricultural industry. See "Drought and Emergency Drought Response" above and "Salinas River Groundwater Basin" below for further information.

Salinas River Groundwater Basin

Irrigation for County agriculture is substantially provided by the Salinas River Groundwater Basin located in the Salinas Valley (the "Salinas Basin"). The Salinas Basin is the largest coastal groundwater basin in Central California. It lies within the southern coast ranges between the San Joaquin Valley and the Pacific Ocean, and is drained by the Salinas River. The valley extends approximately 150 miles from the La Panza Range north-northwest to its mouth at Monterey Bay, draining approximately 5,000 square miles in Monterey and San Luis Obispo Counties. The valley is bounded on the west by the Santa Lucia Range and Sierra de Salinas and on the east by the Gabilan and Diablo Ranges. The Monterey Bay acts as the northwestern boundary of the Salinas Basin.

The Salinas Valley has a Mediterranean climate. Summers are generally mild, and winters are cool. Precipitation is almost entirely rain, with approximately 90 percent falling during the six-month period from November to April. Rainfall is highest on the Santa Lucia Range (ranging from 30 to 60 inches per year) and lowest on the valley floor (about 14 inches per year). Very dry years are common and droughts can extend over several years, such as the eight-year drought of water years 1984 to 1991.

In 2015, the County, through the Monterey County Resource Management Agency, commissioned a report by Brown and Caldwell, for a near-term assessment of the condition of the Salinas Basin in terms of its groundwater resources within the area defined as Zone 2C (the principal survey area being that area which largely straddles the Salinas River in which a majority of County residents live) and the status of seawater intrusion in the northern Salinas Valley.

The goal of the water supply analyses was to provide an analysis of how groundwater supply may change in the future should the current drought conditions continue. This was accomplished by assessing how and why groundwater availability, replenishment and storage have changed in the past. The study includes professional opinions on the consequences of using more groundwater than the estimated yield on both the short-term conditions and long-term sustainability.

Zone 2C consists of 7 subareas, four of which are the primary water-producing subareas, the Pressure, East Side, Forebay (including the Arroyo Seco), and Upper Valley Subareas. These four subareas include most of the land area and account for nearly all of the reported groundwater usage within Zone 2C. As estimated at the time of the Brown & Caldwell report, the estimated volume of groundwater in reserve (i.e. storage) is about 6.8 million acre-feet in the aquifers of the Pressure Subarea, and the total volume of groundwater stored in Zone 2C is about 16.4 million acre-feet.

Over the period from 1959 to 2013 (the period for which groundwater pumping data are available and the reservoirs have been operating), the average reported annual pumping in Zone 2C was about 523,000 acre-feet per year. During this same time period, the average annual storage change (calculated using groundwater head changes) was about 6,000 acre-feet per year. An additional loss of storage due to seawater intrusion has occurred, and has been estimated at between 11,000 and 18,000 acre-feet per year. The cumulative storage loss from 1944 to 2014 for Zone 2C was about 559,000 acre-feet, averaging about 8,000 acre-feet per year. The pattern of storage change follows the pattern of the precipitation surplus, but is also affected by reservoir releases, which typically replenish approximately 35 percent of annual pumping as aquifer recharge. During years of exceptionally low reservoir releases, such as 1991, drought-related aquifer storage depletion is amplified. Storage under continued dry conditions can be expected to decline by about 50,000 to 85,000 acre-feet per year, comparable to past dry years. However, if reservoir releases are severely curtailed, as occurred in water years 1961 and 1990, storage losses could be expected to be much larger, on the order of about 165,000 to 215,000 acre-feet per year.

Storage changes are also strongly affected by the occurrence of very low reservoir releases, which have historically resulted in storage declines. About 40 percent of the storage loss occurred in the 14 years before Nacimiento Reservoir began releasing water, while about 60 percent occurred over the 55 years from 1959 to 2013. Estimates of storage decline in future dry years range from about 50,000 to 215,000 acre-feet per year depending on the level of reservoir releases that occur. This storage loss, added to the existing storage deficit built up over the history of groundwater development in the study area, will exacerbate the problem of seawater intrusion in the Pressure Subarea.

In summary, the Salinas Basin is currently out of hydrologic balance by approximately 17,000 to 24,000 acre-feet per year. The average annual groundwater extraction for the four primary water-producing subareas that compose Zone 2C was about 523,000 acre-feet per year from 1959 to 2013. The average annual change in storage was about 17,000 to 24,000 acre-feet per year, including seawater intrusion. This implies that the yield for Zone 2C is on the order of about 501,000 to 508,000 acre-feet per year; the deficit is essentially the storage change (loss) stated above. It is important to note that the Salinas Basin does have an estimated volume of groundwater in storage of about 16 million acre-feet, which could represent a significant groundwater reserve – as compared to the current estimated storage loss of 17,000 to 24,000 acre-feet per year – and could be used to offset temporary overdraft conditions in the future.

Based on the continued large storage declines in the East Side and Pressure Subareas (and resulting groundwater head declines and seawater intrusion), the current distribution of groundwater extractions is not sustainable. Seawater intrusion can account for up to 18,000 acre-feet per year of the total storage loss of 24,000 acre-feet per year. Sustainable use of groundwater can only be achieved by aggressive and cooperative water resources planning to mitigate seawater intrusion and groundwater head declines. Notwithstanding current storage, the existing storage deficit has continued to grow over the period of record, and must be remedied before the deleterious effects of storage declines, such as seawater intrusion and the drying of wells, can be reversed. In addition, the volume of storage lost due to seawater intrusion must be better quantified.

The consequences of no-action under continued drought conditions will be the imminent advancement of seawater intrusion within the next few years and the continued decline of groundwater head. Both of these conditions would necessitate the drilling of deeper groundwater wells (as and if feasible) to produce the quantity and quality of water needed for consumptive use and irrigation. The Brown & Caldwell report stated that a more sustainable and long term management practice would encourage a Basin-wide redistribution and reduction of groundwater pumping, which would require cooperative and aggressive resource management. The unsustainability of the current distribution of groundwater extractions has long been recognized by various investigators. As detailed in the Brown & Caldwell report, the large storage declines that have occurred in the Salinas Basin in the past, especially in the East Side Subarea, have permitted seawater intrusion.

As noted in the Brown & Caldwell report, groundwater usage is not expected to change substantially over the coming several years, and the County does not expect major changes in pumping over the coming years. The spatial pattern of future pumping can be assumed to be fairly similar to the average annual pumping for the past five years. Almost all of the irrigable acreage in Zone 2C is already under cultivation, so it is assumed that irrigation pumping is not expected to notably increase. The irrigated acreage may decrease as it is replaced through urbanization if in fact urban areas continue to expand. Residential units require less water than does an equivalent agricultural area, so the groundwater pumping may actually decrease over time. According to projections by the Association of Monterey Bay Area Governments (AMBAG), the population in Monterey County is expected to rise by about 7% from 2010 to 2020, a growth rate of about 0.7% per year.

The County can make no assurances with respect to the Brown & Caldwell report including as to the reliability or adequacy of future supplies of groundwater to meet future demands.

Risk of Delay in Completion of the Project

The County has experienced various delays and certain additional, unanticipated costs as described herein. Components of the Project, consisting of the Courthouse Complex, were originally scheduled to be substantially completed by August 2006 and were expected to cost approximately $67.8 million. The Project is currently scheduled to be substantially completed by June 30, 2018 and is expected to cost approximately $36.0 million.

In the last fifteen years, the County commenced a renovation of facilities including the Courthouse Complex. After discovering remediation costs in excess of the proceeds of prior certificates of participation and funds on hand, the County determined to complete the North Wing of the facilities and to suspend work on the East and West Wings of the Courthouse Complex. The combined size of the East and West Wings of the Courthouse Complex is 70,675 square feet. Upon completion, these two buildings will house County personnel.

Capital costs not funded with proceeds of the Certificates are expected be funded from amounts on deposit in the County's Facilities Master Plan Implementation Fund. The County does not expect that any further delay will, in and of itself, result in any substantial interference with the County's right to use or occupy the Property or any portion thereof.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-third of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

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

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

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

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

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

The Board adopted the annual appropriation limit for Fiscal Year 2014-15 of $562,017,432. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the 2014-15 Adopted Budget, the funds subject to limitation total $174,274,280 (total General Operating Budget minus non-proceeds of taxes and debt service) and are $387,743,152 below the Article XIII B limit.

Proposition 1A

Proposition 1A (2004), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A (2004) generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A (2004) provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A (2004) also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A (2004) requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 62

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

On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al*. ("*La Habra*"). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. The portion of the County's taxes subject to Proposition 62, including the County's transient occupancy tax, is in compliance with Proposition 62 requirements. The County is of the opinion that Proposition 62 will not materially impact any existing or future taxes, fees and assessments collected by the County. No revenues collected by the County have been challenged under Proposition 62.

Right to Vote on Taxes Initiative – Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California Constitution, which contain a number of provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the Board to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements. In addition, Article XIIID contains new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

Article XIIID also contains several new provisions affecting "fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIIID, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIIIC removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. "Assessment," "fee" and "charge" are not defined in Article XIIIC, and it is not clear whether the definitions of these terms in Article XIIID (which are generally property related as described above) would be applied to Article XIIIC. If the Article XIIID definitions are not held to apply to Article XIIIC, the initiative power could potentially apply to revenue sources which currently constitute a substantial portion of General Fund revenues. No assurance can be given that the voters of the County will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

The County does not currently levy any property related "fees" or "charges" which it considers subject to challenge under Proposition 218.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act" ("Proposition 26"). Proposition 26, among other things, amends Article XIII C to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIII C imposes limitations on local governments like the County when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIII C did not define the term "tax." Proposition 26 broadly defines a tax under Article XIII C to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development, and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

It appears that Proposition 26 does not apply retroactively to local government. Thus, even if a fee enacted by the County prior to November 3, 2010 does not fit within any of Proposition 26's exceptions, it will nonetheless remain valid provided that the legislation authorizing it is not amended so as to extend or increase the fee. The County does not believe that it has enacted, extended or increased any fees since passage of Proposition 26 that would not be exempt from Proposition 26 or that would require voter approval pursuant to Proposition 26.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 62, 22, 26 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues.

THE CORPORATION

The Corporation was organized on June 21, 1989, as a nonprofit public benefit corporation pursuant to the Nonprofit Public Corporation Law of the State. The Corporation is a separate legal entity from the County. It is governed by a three-member Board of Directors consisting of designated County officers. The Corporation has no employees. Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

TAX EXEMPTION

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County ("Special Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest component of the Base Rental Payments paid by the County under the Lease Agreement and received by the owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that such interest evidenced by the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest evidenced by the Certificates is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Special Counsel is set forth in APPENDIX D hereto.

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

Certificates purchased, whether at original execution and delivery thereof or otherwise, for an amount higher than the principal evidenced thereby payable on the scheduled principal payment date thereof (or, in some cases, at their earlier prepayment date) ("Premium Certificates") will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest evidenced by Certificates to some extent for high income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel is expected to express no opinion.

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

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

CERTAIN LEGAL MATTERS

Certain legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel to the County. A complete copy of the proposed form of Special Counsel opinion is contained in APPENDIX D. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Copies of this opinion will be available at the time of delivery of the Certificates. Payment of the fees and expenses of Special Counsel is contingent upon the sale and delivery of the Certificates. Certain legal matters will be passed upon for the Underwriter by its counsel, Curls Bartling P.C., Oakland, California Certain legal matters will be passed upon for the County by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Disclosure Counsel to the County, and for the County and the Corporation by County Counsel.

RATINGS

Fitch Ratings Ltd. ("Fitch") and Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (S&P), respectively, have assigned ratings of "___" and "___" to the Certificates. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of the ratings may be obtained by contacting them at: Fitch Ratings, One State Street Plaza, New York, New York 10004 and Standard & Poor's, 55 Water Street, New York, New York 10041. Such ratings are not a recommendation to buy, sell or hold the Certificates. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

CONTINUING DISCLOSURE

The County has agreed to provide, or cause to be provided, certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. For a complete listing of items of information which will be provided in the Annual Report, see APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT." Such information is to be provided by the County not later than nine (9) months after the end of the County's fiscal year (which currently would be April 1), commencing with the report for the 2014-15 Fiscal Year. The Annual Report will be filed by the Trustee, acting as Dissemination Agent, on behalf of the County through the Electronic Municipal Market Access (EMMA) website of the MSRB, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12. In the last five years, the County failed to include current year budget information for its most recent annual report, which the County has since remedied. The County has not otherwise failed to comply in any material respect with any of its prior undertakings to provide continuing disclosure.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the County will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the best knowledge of the County, threatened against the

County (i) which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement, the Ground Lease, the Trust Agreement or the Assignment Agreement, (ii) contesting the validity of the Certificate Purchase Agreement, the Lease Agreement, the Ground Lease, the Trust Agreement or the Continuing Disclosure Agreement, the powers of the County to enter into or perform its obligations under the Certificate Purchase Agreement, the Lease Agreement, the Ground Lease or the Trust Agreement, or the existence or powers of the County, or (iii) which, if determined adversely to the County, would materially impair the County's ability to meet its obligations under the Lease Agreement or materially and adversely affect the County's financial condition.

The County does have claims pending against it. The aggregate amount of the uninsured liabilities of the County which may result from all claims will not, in the opinion of the County, materially affect the County's finances or impair its ability to make Rental Payments under the Lease Agreement.

FINANCIAL INTEREST

The fees of Special Counsel and Underwriter's Counsel are contingent upon the execution and delivery of the Certificates. From time to time, Orrick, Herrington & Sutcliffe LLP represents Barclays Capital Inc. on matters unrelated to the Certificates.

UNDERWRITING

The Certificates are to be purchased by Barclays Capital Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a price of $________ (reflecting an underwriter's discount of $________ from the public offering price shown on the inside cover page of this Official Statement plus net original issue premium of $________). The purchase agreement related to the Certificates provides that the Underwriter will purchase all the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase agreement, including the approval of certain legal matters by Special Counsel and certain other conditions. The Certificates may be offered and sold to certain dealers (including dealers depositing said Certificates into investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the documents are on file and available for inspection at the office of the Trustee at 400 South Hope Street, Suite 400, Los Angeles, California 90071.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or Owners of any of the Certificates.

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

COUNTY OF MONTEREY, CALIFORNIA

By____
Michael J. Miller, CPA, CISA
Monterey County Auditor-Controller

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APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY

Population

Between 2011 and 2015 the County's population increased by approximately 2.0% compared to the State's growth of 3.4%. The following table details the yearly population growth in the County and the State.

Table A-1
County of Monterey Population Trends
Calendar Years 2011 through 2015
(As of January 1)

	County of Monterey		State of California	
Year	Population	% Change	Population	% Change
2011	416,968	0.5%	37,427,946	0.5%
2012	419,586	0.6	37,668,804	0.6
2013	422,754	0.8	37,984,138	0.8
2014	424,774	0.5	38,357,121	1.0
2015	425,413	0.2	38,714,725	0.9

Source: California Department of Finance, Demographic Research Unit.

Economy

Following is a table which summarizes key economic indicators with respect to the County for the years 2010 through 2014:

Table A-2
County of Monterey Key Economic Indicators
Calendar Years 2010 through 2014

	2010	2011	2012	2013	2014
Population	416,968	419,586	422,754	424,774	425,413
Employment	188,300	189,200	193,000	194,500	199,900
Unemployment	27,400	27,400	25,300	22,300	19,900
Unemployment rate	12.7%	12.7%	11.6%	10.3%	9.1%

Sources: Data derived from California Department of Finance, Demographic Research Unit (Population); Employment Development Department, Labor Market Information Division (Employment, Unemployment).

Employment

The following table indicates labor patterns for the County, the State and the nation.

Table A-3
Labor Force, Employment And Unemployment
Yearly Average for Years 2010 through 2014

Year, Area	Labor Force	Civilian Employment	Unemployment Rate
2010			
Monterey County	215,800	188,300	12.7%
California	18,336,300	16,091,900	12.2
United States	153,889,000	139,064,000	9.6
2011			
Monterey County	216,600	189,200	12.7%
California	18,419,500	16,260,100	11.7
United States	153,617,000	139,869,000	8.9
2012			
Monterey County	218,300	193,000	11.6%
California	18,554,800	16,630,100	10.4
United States	154,975,000	142,469,000	8.1
2013			
Monterey County	216,800	194,500	10.3%
California	18,671,600	17,002,900	8.9
United States	155,389,000	143,929,000	7.4
2014			
Monterey County	219,800	199,900	9.1%
California	18,811,400	17,397,100	7.5
United States	155,922,000	146,305,000	6.2

Sources: California State Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics.

The following table summarizes the historical numbers of workers in the County by industry for the years 2010 through 2014.

Table A-4
County of Monterey
Estimated Number of Wage and Salary Workers by Industry
(Not Seasonally Adjusted)

	2010	2011	2012	2013	2014
Agricultural	45,100	46,300	48,200	50,100	52,500
Natural Resources and Mining	200	200	200	200	200
Construction	4,100	3,800	4,100	4,500	4,900
Manufacturing	5,600	5,600	5,200	5,300	5,300
Wholesale Trade	5,000	4,900	5,200	5,200	5,400
Retail Trade	15,200	15,700	15,900	16,200	16,300
Transportation, Warehousing and Utilities	3,300	3,400	3,800	4,000	4,300
Information	1,700	1,600	1,500	1,500	1,400
Financial Activities	4,300	4,100	4,200	4,000	3,900
Professional and Business Services	11,500	11,500	11,400	11,300	12,500
Educational and Health Services	15,700	15,600	16,200	17,500	18,500
Leisure and Hospitality	20,000	20,200	21,200	21,900	22,900
Other Services	4,600	4,600	4,700	4,800	4,900
Government	32,600	31,700	31,300	30,200	30,300
Total All Industries	169,000	169,200	172,900	176,600	183,200

Source*:* California Employment Development Department, Labor Market Information Division.

Per Capita Personal Income

The following table summarizes per capita personal income for the County, the State and the nation for the years 2010 through 2014.

Table A-5
Per Capita Personal Income
For the Years 2010 through 2014

Year, Area	Per Capita Income
2010	
Monterey County	$40,705
California	42,282
United States	40,144
2011	
Monterey County	$41,958
California	44,749
United States	42,332
2012	
Monterey County	$43,411
California	47,505
United States	44,200
2013	
Monterey County	$44,851
California	48,434
United States	44,765
2014	
Monterey County	-[1]
California	$50,109
United States	46,129

[1] Data not yet available.
Sources: U.S. Department of Commerce and Bureau of Economic Analysis.

Largest Employers

The following table represents the major employers within the County.

Table A-6
County of Monterey
Major Employers - 2015

Company	Type of Entity
Azcona Harvesting	Harvesting-Contract
Breast Care Ctr.	Diagnostic Imaging Centers
Bud of California	Fruits & Vegetables-Growers & Shippers
California State University	Education/University
Casa Palmero	Hotels & Motels
Chiropractic Health Ctr.	Chiropractors DC
D'Arrigo Brothers Co.	Fruits & Vegetables-Growers & Shippers
Dole Fresh Vegetables Co.	Fruits & Vegetables-Growers & Shippers
Hilltown Packing Co.	Harvesting-Contract
Mann Packing Co.	Fruits & Vegetables-Growers & Shippers
Misionero Vegetables	Fruits & Vegetables-Growers & Shippers
Monterey County Social Svc. Cmmtt.	County Government
Monterey County Social Svc. Dept.	County Government
Monterey County Office of Education	School Districts
Monterey Peninsula College	Education/University
Natividad Medical Ctr.	Hospitals
Naval Postgraduate School	Education/University
Pebble Beach Co.	Resorts
Pebble Beach Resorts	Resorts
Salinas Valley Healthcare	Hospitals
Social Services Dept.	Senior Citizens Service Organization
Southern Monterey County	Hospitals
Taylor Farms	Fruits & Vegetables-Growers & Shippers
US Defense Dept.	Federal Government-National Security
US Defense Manpower Data Ctr.	Government Offices-US

Sources: America's Labor Market Information System (ALMIS) Employer Database, 2015 2nd Edition; Employer information provided by Infogroup, Omaha, NE.

Commercial Activity

As of 2013, taxable transactions in the County exceeded $5.91 billion. A history of taxable transactions is shown below:

Table A-7
County of Monterey
Taxable Transactions 2009 – 2013
(Dollars in Thousands)

	2009	2010	2011	2012	2013[1]
Apparel Stores Group	$ 236,631	$ 246,551	$ 265,864	$ 294,017	$ 312,175
General Merchandise Group	480,520	490,739	492,596	500,337	507,088
Food and Beverage Group	276,991	279,662	288,939	294,742	308,182
Eating and Drinking Group	531,722	554,010	581,655	637,659	677,471
Household Group	72,329	75,014	80,719	81,177	87,719
Building Material Group	260,152	236,565	276,757	287,797	317,910
Automotive Group	471,863	527,742	581,680	666,429	742,343
All Other Retail Stores Group	190,409	187,836	187,146	191,020	198,718
Retail Stores Totals	3,255,804	3,423,370	3,680,776	3,927,095	4,137,019
All Other Outlets	1,450,041	1,532,192	1,631,956	1,710,350	1,773,512
Total All Outlets	$4,705,845	$4,955,562	$5,312,732	$5,637,445	$5,910,531

(1) Most recent calendar year data available.
Source*:* Taxable Sales, California State Board of Equalization.

Construction Activity

Building permit activity for the years 2010 through 2014 is summarized below.

Table A-8
County of Monterey
Building Permit Valuation
(Dollars in Thousands)

	2010	2011	2012	2013	2014
Valuation					
Residential	$142,944	$130,188	$154,053	$168,823	$166,058
Nonresidential	85,215	64,543	94,390	104,698	154,341
Total	$228,159	$194,731	$248,443	$273,521	$320,399
New Housing Units					
Single Family	118	130	107	190	236
Multiple Family	167	26	131	252	85
Total	285	156	238	442	321

Source*:* Construction Industry Research Board.

Agriculture

The following table provides a summary of agricultural production within the County for the years 2009 through 2013:

Table A-9
County of Monterey
Agricultural Production

	2009	2010	2011	2012	2013 [(1)]
Fruit and Nut Crops	$ 1,042,685,000	$ 987,693,000	$ 914,685,000	$ 1,057,684,000	$ 1,159,589,000
Vegetable Crops	2,631,763,000	2,677,072,000	2,596,683,000	2,557,772,000	2,833,775,000
Field Crops	14,972,000	15,230,000	16,824,000	19,338,000	19,990,000
Seed Crops	9,306,000	9,984,000	9,404,000	8,550,000	8,803,000
Nursery Crops	294,572,000	266,121,000	260,703,000	307,543,000	312,346,000
Apiary	46,200	242,000	228,000	204,000	195,000
Livestock & Poultry	40,374,000	49,893,000	54,468,000	53,126,000	45,024,000
Totals	$4,033,718,000	$4,006,235,000	$3,852,995,000	$4,004,217,000	$4,379,722,000

(1) Most recent data available.
Source: County of Monterey Agricultural Commission.

Transportation

Two major north-south highways connect the County with surrounding counties. State Highway 1 follows the coast. U.S. 101 follows the Salinas Valley. Highway 68 links Salinas to the Monterey Peninsula. Highways 156 and 198 link U.S. 101 with the parallel inland route in adjacent counties. Local transit needs are served by the Monterey-Salinas Transit system. Greyhound provides regularly scheduled intrastate and interstate transportation. Amtrak passenger service is available from Salinas, which is located on the Southern Pacific mainline route between San Francisco and Los Angeles. County residents and visitors utilize commercial airlines flying out of Monterey Peninsula Airport. Airport facilities are also located at Salinas Municipal Airport. Southern Pacific Transportation Company provides freight service for the interior of the County. Freight transportation is also provided by several intrastate and transcontinental trucking firms.

Education

Public school education is available through 15 elementary school districts, two high school districts, and seven unified school districts. Total public school enrollment in the 2014-15 school year is approximately 83,676.

Table A-10
County of Monterey
Public School Enrollment
For Fiscal Years 2010-11 through 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
K – 8	50,721	52,064	53,016	54,090	55,016
9 – 12	20,510	20,614	20,444	20,522	20,903
Special Classes	6,718	6,840	6,929	7,265	7,757
Total	77,949	79,518	80,389	81,877	83,676

Source*:* California Department of Education, Educational Demographic Unit.

The County is served by a state university campus, two public community colleges, Hartnell College and Monterey Peninsula College, as well as a private institution, The Monterey Institute of International Studies. Hartnell is located in Salinas and serves approximately 15,071 students. Monterey Peninsula College is located in the City of Monterey and has an enrollment of approximately 22,000. Both colleges offer courses off campus. The Monterey Institute of International Studies is located in the City of Monterey and has an enrollment of approximately 700. Its emphasis in undergraduate and graduate study is foreign policy, diplomacy, international relations, and languages. California State University, Monterey Bay is located on the site of the former Fort Ord and has an enrollment of approximately 4,000.

APPENDIX B

COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014

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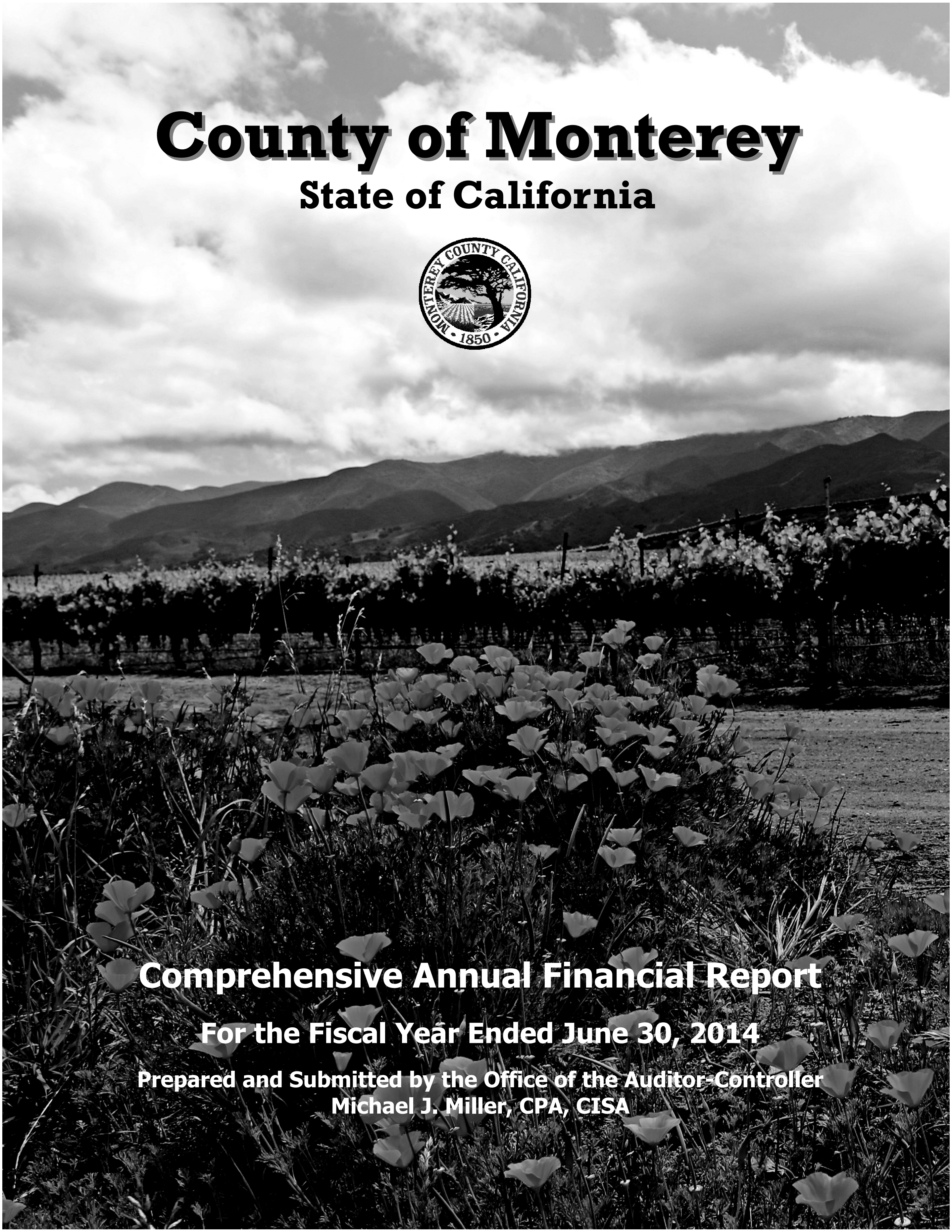

County of Monterey

State of California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Prepared and Submitted by the Office of the Auditor-Controller
Michael J. Miller, CPA, CISA

Salinas Valley

In addition to serving as the backdrop for two of America’s great literary works by John Steinbeck, the Salinas Valley is an 80-mile long produce region, where rows of vegetable crops stretch to the horizon. Nicknamed the “Salad Bowl of the World,” the main exports are head lettuce, broccoli and celery. The valley retains its agricultural roots and annually hosts the highly ranked California Rodeo. Ranches and farm houses are abundant. It is a combination of rural landscapes, small towns and bustling commercial activity.

Two of California’s most historic establishments, the San Antonio de Padua Mission and the Soledad Mission, are located in the Salinas Valley. It's also the location of the Agricultural and Rural Life Museum, where kids and adults can learn how Salinas Valley farming families lived over a century ago.

Salinas Valley is also an ideal spot for growing wine and hosts notable vineyards and wine tasting rooms, many of which offer sweeping views of both the valley and the hills beyond. Twelve wineries are located in the valley ranging from large to small family-owned operations with unique wine selections.

Cover photograph courtesy of Ma Mon
Accounts Payable Supervisor
Auditor-Controller’s Office

COUNTY OF MONTEREY
STATE OF CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Prepared and Submitted by the Office of the Auditor-Controller
Michael J. Miller, CPA, CISA

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COUNTY OF MONTEREY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

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COUNTY OF MONTEREY
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INTRODUCTORY SECTION

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MONTEREY COUNTY

AUDITOR - CONTROLLER

(831) 755-5040 ▪ FAX (831) 755-5098 ▪ P.O. BOX 390 ▪ SALINAS, CALIFORNIA 93902

MICHAEL J. MILLER, CPA, CISA
AUDITOR-CONTROLLER

ALFRED R. FRIEDRICH, CGFM
ASSISTANT AUDITOR-CONTROLLER

December 19, 2014

To the Citizens of the County of Monterey and the Board of Supervisors:

I am pleased to present this Fiscal Year 2013-14 Comprehensive Annual Financial Report (CAFR) for the County of Monterey. This CAFR is intended to present information above and beyond what is required by generally accepted accounting principles or state law.

It is my hope that this report will give the residents of Monterey County, the Board of Supervisors, and other users a broader view and understanding of County financial operations and to further assist the users of our financial statements in assessing the financial condition of the County.

This CAFR is in compliance with Sections 25250 & 25253 of the Government Code of the State of California. These statutes require all general-purpose local governments to issue an annual report on the financial position and activities of that government. The report must be presented in conformance with generally accepted accounting principles (GAAP) and must be audited by an independent firm of certified public accountants (CPA) in conformance with Generally Accepted Government Auditing standards (GAGAS). The financial statements contained in this CAFR meet these requirements.

This report contains management representations and is prepared by the Office of the Auditor-Controller. Monterey County management (management) is responsible for the accuracy of the presented data, and the completeness and fairness of the presentation. To provide reasonable assurance of accuracy of the information presented in these financial statements and to protect County assets, management has instituted an internal control framework. This framework consists of policies, procedures and computer-based accounting and management information systems sufficient to ensure reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

The financial statements and accompanying Notes to the Financial Statements (Notes) contained in this CAFR have been audited by GALLINA LLP, a Limited Liability Partnership of Certified Public Accountants (GALLINA). Their audit was performed in accordance with GAGAS. The auditors have concluded, based on their audit that the financial statements combined with the accompanying Notes present fairly, in all material respects, the financial condition of Monterey County as of June 30, 2014. A copy of their report is included on page 1 in the "Financial Section" of this CAFR.

In planning and performing the audit of the financial statements, GALLINA considered the internal control structure of the County in order to determine appropriate audit procedures. During this review, no significant deficiencies or material weaknesses were noted. This information was presented in a letter to the Board of Supervisors and management.

Management is required by GAAP (GASB 34) to provide a Management Discussion and Analysis (MD&A) in conjunction with financial statement reporting. The purpose of the MD&A is to introduce the basic financial statements and to provide an analytical overview of the financial activities of the County. The MD&A begins on page 3 in the "Financial Section" of this CAFR.

PROFILE OF THE COUNTY OF MONTEREY

Overview of the County

History and Geography: Monterey, described as the "greatest meeting of land and sea" celebrated its quadricentennial in 2002. In 1602, Spanish merchant Sebastian Vizcaino became the first European on the Monterey Peninsula. He christened Monterey after the viceroy of New Spain, Count de Monte Rey. Eventually, the City of Monterey served as California's first capital, where the State constitution was signed in 1849. Monterey County is one of the 27 original California counties, incorporating in 1850.

With an area of about 3,300 square miles, the County of Monterey borders the Pacific Ocean almost at the midpoint of California with 99 miles of coastline. The County is located about 100 miles south of San Francisco and 240 miles north of Los Angeles. It is bordered by Santa Cruz County to the north, San Benito (originally part of Monterey County), Fresno and Kings Counties to the east and San Luis Obispo County to the south.

There are two distinct sub-regions in the County. One is the Monterey Peninsula, world famous for beautiful ocean views, opulent homes, the 17-mile drive, delicious seafood and world-class golf courses. The other, the Salinas Valley, is equally renowned as an area full of fertile farmland, running almost the entire length of the County and is one of the world's major vegetable producing areas.

The County also benefits from two wilderness areas set aside for recreational enjoyment, consisting of 468,538 total acres. The Los Padres National Forest has 304,035 acres and the Ventana Wilderness totals 164,503 acres.

Structure: The County is a general law county. The County government is comprised of ten elected officials including a five-member Board of Supervisors, the Assessor-Clerk-Recorder, the Auditor-Controller, the District Attorney, the Sheriff and the Treasurer-Tax Collector; all elected to four-year terms. A County Administrative Officer (CAO) is appointed by the Board of Supervisors and functions as the Chief Executive Officer.

The accounts of the County are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled.

Services: The County government provides a full range of public services including public safety, roads and facilities, social services, administrative services, health services, sanitation services and leisure services. Typically, the department heads who run these operations, other than the elected department heads, report to the CAO.

Population: The County maintains a steady population base in excess of 400,000 people. About 98% of the 3,300 square miles in the County are outside of a municipality, with about 25% of the residents living in these unincorporated areas. The City of Salinas serves as the County seat, and is the County's largest city with a population of over 150,000. The eleven other incorporated cities are Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Sand City, Seaside, Soledad and Pacific Grove.

Component Units

This report includes all of the funds of the County of Monterey and the entities described in Note 1 of the Notes. Although all these entities are legally separate from the County, the County Board of Supervisors serve as the governing board of each entity and the entities meet the test required by GAAP to be presented as blended component units in the County Financial Statements. In addition, individual financial statements are available for some of the above component units and can be obtained by contacting the Office of the Auditor-Controller of the County of Monterey.

Budgetary Process

The County is required by State law to adopt a balanced budget by July 1 of each fiscal year. Budgets are adopted for the general fund, special revenue funds, debt service funds and capital project funds. The legal level of budgetary control is at the Department level. Budget data is prepared on the modified accrual basis consistent with comparable actual amounts. A budget is also adopted for the enterprise funds and the internal service funds.

Encumbrance accounting is utilized during the year for budget control purposes. Unspent encumbered budget appropriations lapse at the end of the fiscal year. Board of Supervisors policy requires re-appropriation of carryover capital improvement projects on an annual basis after review of each project status.

The Board approves supplemental appropriations, which are normally financed by unanticipated revenues during the year.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The local economy has traditionally centered on agribusiness, tourism, and government, but the trade, transportation and utilities group continues to become a larger part of the Monterey County economy.

Agribusiness: Up 6%, or $240 million over the prior year, with a gross production value of $4.38 billion, Agribusiness continues to be Monterey County's No. 1 industry, ranking fourth in production among agricultural counties in California. Nine of the ten top crops in the county showed increases in value in 2013. Notable decreases, due to drought conditions were seen in livestock, and field crops that rely on rainfall, with a total combined loss in excess of $10.3 million. The total economic impact of agricultural production in Monterey County is estimated to be over $8.7 billion.

Tourism: Tourism in Monterey County is a 2.3 billion dollar industry, and is second only to Agribusiness. 'Travel & Leisure' names four Monterey County properties as among the 500 World's Best Hotels for 2014. Tourism also contributes 22,000 full time jobs to the local economy. With 8.39 million visitors annually, and $19.8 million in Transient Occupancy Taxes, an increase of 10.79% over the previous year, tourism is reflecting an upward trend in Monterey County.

Employment: The County normally experiences periods of relatively high unemployment as the agribusiness moves from one season to the next. However, due to an overall economic rebound, according to State Employment Development Department reports, the unemployment rate in the Monterey County was 7.0% as of June 2014, a decrease of 0.5% compared to the year-ago rate of 7.5% and lower than the State average of 7.3%.

Real Estate / Housing: The average home price in Monterey County has jumped up from this time last year. With demand high and new home construction low, the average home sale price increased 24% compared with 2013's final average. According to the Monterey County Association of Realtors, only 23% of the county's homes are considered affordable, so some lower income buyers have been pushed out of the market and sales have stalled. The average home prices differed greatly around the county. The average home price increased to 415,400 in June 2014, from 335,000 in June of 2013. Prices are expected to slow down in the second half of 2014.

Long-Term Financial Planning

Three-Year Financial Forecast: In order to provide County policy-makers and the public an updated assessment of the County's financial conditions, the County Office of Administration develops an annual Three-Year Financial Forecast. This report takes into account the latest economic developments, and includes historical perspective on General Fund revenues and expenditures, an updated current year estimate, and three-year financial outlook.

Debt Administration: The County uses the Sympro Debt Management System to monitor and manage the debt for the County, schools, and special districts. This tool assists management to develop scenarios, monitor market activities, and also capitalize on financial opportunities.

County Debt Obligations: The County issued no debt instrument in fiscal year 2013-14.

Credit Ratings: The County utilizes all three ratings agencies to provide credit ratings, as needed, for both long and short term issuances. The County's long term bond issuances were subjected to a follow-up review every two years. Based on strong management, increased reserves, and implementation of a plan to reduce Other Post Employment Benefits (OPEB) unfunded liabilities, all of the County's ratings were reaffirmed during fiscal year 2013-14. Currently, the ratings for County issued debt are:

	Fitch Rating/Outlook	Moody's Rating/Outlook	S&P Rating/Outlook
General Obligation Bonds	AA Stable	Aa2 Implied	
Lease Obligation Bonds (COPs)	AA-/Stable	Aa3 Stable	AA/Stable

The County continues developing strategies to aggressively improve the efficiencies and effectiveness of operations, and capitalize on these re-engineering efforts to improve its finances.

Proposed and Subsequent Financings: The County has no plans to issue debt during fiscal year 2014-15. In September 2015, the Board approved the purchase of an office building complex for approximately $13 million, financed by reprioritizing its fiscal year 2013-14 General Fund balance use priorities.

Relevant Financial Policies

Reserve Policy: The Monterey County Board of Supervisors unanimously adopted in ordinance form a formal reserve policy for strategic reserves. Beginning in fiscal year 2005-06, General Fund reserves were to be funded over eight years to equal ten percent of General Fund budgeted revenues. The reserve was established for use in legal judgment settlements against the County, economic downturns, natural disasters and for one-time State budget reductions that could not be addressed through the annual appropriations for contingencies. After suspending contributions to the strategic reserve for fiscal years 2008-09 and 2009-10 due to budgetary constraints, the Board resumed the contribution in fiscal year 2010-11 by creating a sub-commitment. The County's strategic reserve policy ordinance was amended to allow establishing a sub-commitment within the General Fund strategic reserve commitment for Natividad Medical Center (NMC), an Enterprise Fund of the County. A transfer of $14.2 million was made from NMC's unrestricted Net Assets to the NMC's sub-commitment under the strategic reserve commitment. The use of this sub-commitment is limited only for the purposes of NMC as determined by the County Board of Supervisors. With an accumulated total of $52.3 million in the reserve commitment, the Board opted not to contribute to it in fiscal year 2011-12. In fiscal year 2012-13, the Board added a General Fund contribution of $8 million increasing the balance in the reserve commitment to a total of $60 million.

Public Financing Policy: On April 29, 2008, the Board rescinded the previously adopted Public Financing Policies and the Mello Roos Financing Policy and adopted a revised formal written Monterey County

Public Financing Policy dated April 21, 2008. The revised policy established a Debt Advisory Committee comprised of the County Administrative Officer (or his designee), the County Auditor, and the County Treasurer-Tax Collector to provide additional oversight of debt related matters. In addition, the policy provides general guidelines for the decision making process with regard to the issuance of debt instruments. The use of debt must provide general or specific benefits to its citizens in relation to the cost of repayment levied upon those citizens.

ADDITIONAL AVAILABLE INFORMATION

Copies of this CAFR, the Single Audit Report, the County Proposed and Final Budgets, the Tax Rate Books, and other documents are available on the internet, www.co.monterey.ca.us/auditor.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Monterey for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

Acknowledgments

I extend my thanks to my staff in the Auditor-Controller's Office who have, as usual, performed above and beyond the call of duty, making many significant improvements to this CAFR and the reporting function in general. I also wish to thank the staff in the Budget Office, and all the departments and agencies that contributed financial information to this report and to GALLINA, LLP for their dedication and hard work. I also thank the Board of Supervisors for their support in planning and conducting the financial operations of the County of Monterey in a responsible and progressive manner.

Respectfully Submitted:

Michael J. Miller

Michael J. Miller, CPA, CISA
Auditor-Controller

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Monterey
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

COUNTY OF MONTEREY
DIRECTORY OF COUNTY OFFICIALS

Elected Officials:

Legislative Branch:

Board of Supervisors

District #1……………………………...………………………..…..Fernando Armenta
District #2………………………………………………………..Louis R. Calcagno
District #3…………………………………………..…………………Simón Salinas
District #4……………………..……..……………………………………..Jane Parker
District #5……………………………………………………………….…Dave Potter

Executive Branch:

Assessor – County Clerk-Recorder…………………..…………....Stephen L. Vagnini
Auditor-Controller………………………….............…..Michael J. Miller, CPA, CISA
District Attorney……………………………………………………..Dean D. Flippo
Sheriff-Coroner……………………………………............................Scott Miller
Treasurer-Tax Collector...………………………………………………Mary A. Zeeb

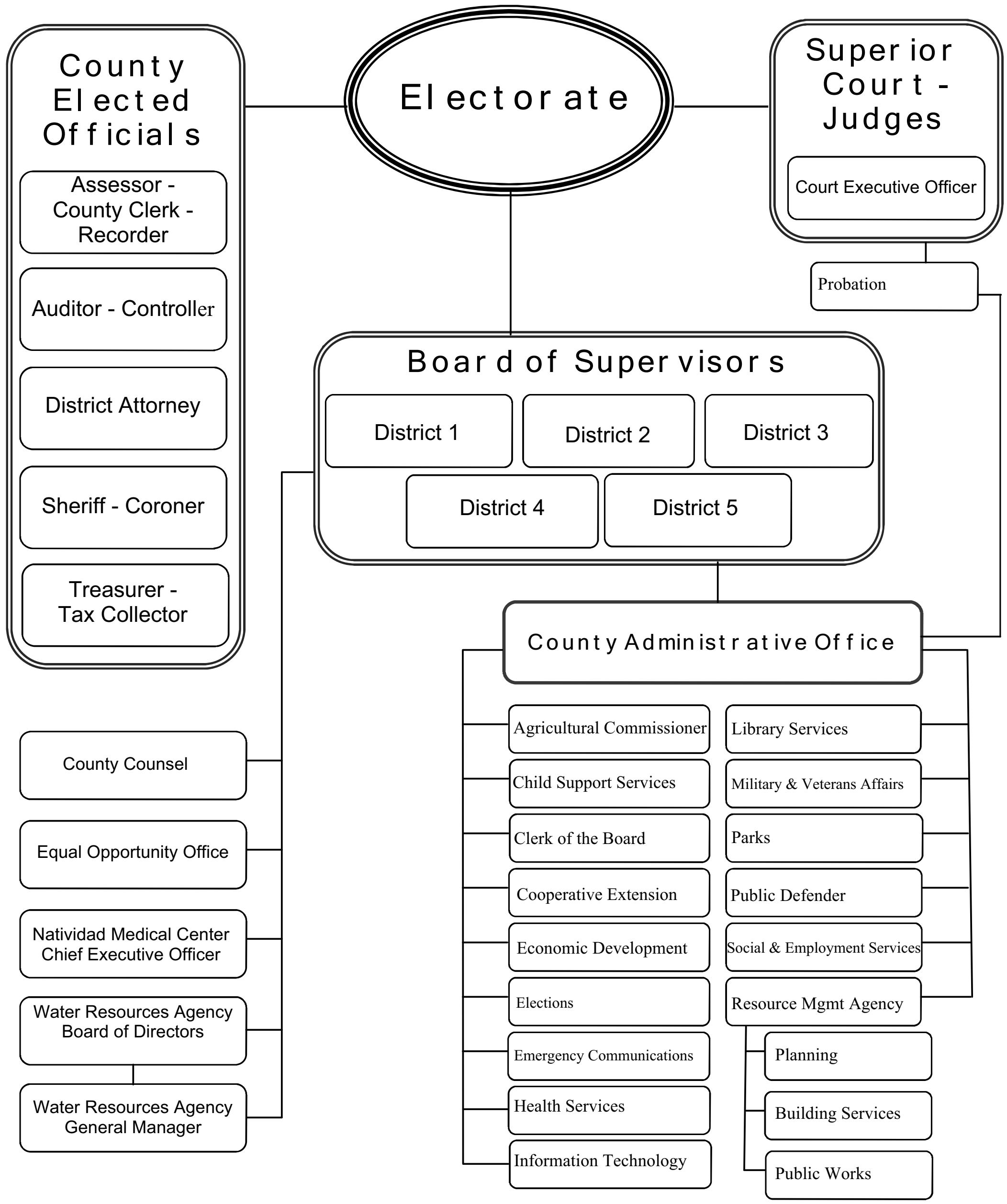
Appointed Department Heads:

County Administrative Officer…………..…………………………...….Lew Bauman
Agricultural Commissioner...……………………………………...…….Eric Lauritzen
Chief Building Official..……………………………………….......Michael Rodriguez
Child Support Services Director ……………………..…..……Stephen H. Kennedy
Clerk of the Board………………………………………………......Gail Borkowski
Cooperative Extension Director …...…………………………….……Maria de la Fuente
County Counsel………...…………………………………….….... Charles J. McKee
County Librarian....………………………………………….....…..Jayanti Addleman
Economic Development Director……………………………….....…….David Spaur
Emergency Communications Director.…….……..…………………William Harry
Equal Opportunity Officer ……………………..…………..…Irma Ramirez-Bough
Health Services Director ..…………………………………….…Raymond Bullick
Human Resources…………………………………………………………..James May
Information Technology Director. ………………………………....…Dianah Neff
Military and Veterans' Affairs Officer.………..................................George H. Dixon
Natividad Medical Center Chief Executive Officer…………………..……Harry Weis
Parks Director ………………………………………………………..Michael Ferry
Planning Director ……….……………………………………………………Mike Novo
Public Defender………………………………………..……………...James Egar
Public Works Director..……………………………..…...…..…Robert K. Murdoch
Registrar of Voters………………………………..…………Claudio Valenzuela
Resource Management Agency Director...………………………...……Benny Young
Social & Employment Services Director ………………...………..Elliott Robinson
Water Resources Agency General Manager…..............................David Chardavoyne

Appointed by Superior Court:

Chief Probation Officer ….……………………………………..………...Manuel Real

County of Monterey Organizational Structure



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FINANCIAL SECTION

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GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Monterey, California (County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Monterey County Children and Families Commission, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General, Behavioral Health and Community Development Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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tel: 916.784.7800 æ fax: 916.784.7850 æ www.gallina.com

Board of Supervisors
County of Monterey, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress for the County of Monterey Employees' Retirement Plan and the County of Monterey Retiree Healthcare Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Monterey's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Gallina LLP

Roseville, California
December 19, 2014

COUNTY OF MONTEREY

Management Discussion and Analysis

This section of the County of Monterey's (County) annual report presents the discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the County's financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities at the close of the fiscal year by $833.7 (net position). Of this amount, $233.6 represents *unrestricted net position*, which will be available to meet the County's ongoing obligations to citizens and creditors. *Restricted net position* of $58.5 may be used for the County's ongoing obligations related to programs with external restrictions. The remaining $541.6 represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets *(*net investment in capital assets). (See Table 1 – Net Position.)
- The County's total net position increased by $16.6 during the current fiscal year. The increase in net position represents the degree to which revenues exceeded expenses. (See Table 1 – Net Position and Table 2 – Change in Net Position.)
- As of June 30, 2014, the County's governmental funds reported total ending fund balances of $241.1. Ending fund balance increased by $22.7 due to recovery in property tax revenue, growth in transient occupancy tax receipts, and additional tax increment as a result of the Redevelopment Dissolution Act. Of the total fund balance amount, $97.3 or 40.4% is limited in how the resources can be used (*assigned fund balance*). The Board of Supervisors self-imposed limitations of the use of $67.2 or 27.9% of fund balance for future plans, projects, and purposes such as those identified in the stategic reserve policy for economic uncertainties, natural disasters, and legal settlements (*committed fund balance)*. Approximately $58.5 or 24.3% is restricted by legislative code, grants or debt instruments. Inventories & prepaid items make up $0.5 or 0.2% of fund balance, thus it is categorized as non-spendable. The remaining $17.6, or 7.3% is available for future spending and is not constrained by either outside parties or the County's legislative body (*unassigned fund balance*). (See further discussion in Financial Analysis of the County's Funds beginning on page 10.)
- At the end of the fiscal year 2013-14, the General Fund unassigned fund balance increased $12.9 to $17.6 from the prior year unassigned fund balance. The increase is a result of both the Redevelopment Dissolution Act, which infused fund balance with one-time transfers and additional tax increment, and also the economic recovery, which produced favorable results in general fund revenues. There were no changes to commitments this year, thus the committed fund balance remained at $60.3. The assigned fund balance of $39.3 is an increase of $1.0 from the prior year assigned fund balance. The restricted and nonspendable fund balances reported $0.5 and $0.3, respectively. (See further discussion in Financial Analysis of the County's Funds beginning on page 10.)
- The total long-term debt for the current fiscal year decreased by $7.9 or 3.0% due to annual debt service payments made without new debt being incurred. (See Table 4 – Long-Term Debt.)

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

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

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

The *statement of activities* presents information showing how the County’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities of the County are: general government, public safety and protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The County has two business-type activities: Natividad Medical Center and the Parks and Lake Resort.

Component units consist of legally separate entities for which the County is financially accountable. Those entities that have substantially the same governing board as the County or provide services entirely to the County are blended as if they were a part of the County. A list of the County's blended component units can be found in Note 1 of the Notes to Financial Statements section. Financial information on discretely presented component units is reported separately from the financial information presented for the County. The County has one discretely presented component unit, the Monterey County Children and Families Commission.

The government-wide financial statements can be found on pages 17 - 19 of this report.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like 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, proprietary, and fiduciary.

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

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

The County maintains over 130 individual governmental funds. For financial reporting purposes, these funds have been combined into four groupings. The County segregates within the governmental funds the major funds: General Fund, Behavioral Health Fund, Community Development Fund, and a grouping for all nonmajor funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the three funds, which are considered to be major funds according to the rules stated in Government Accounting Standards Board Statement No. 34 (GASB 34).

Data for the remaining governmental funds are combined into the presentation of Other Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements located in the Supplementary Information section of this report.

The County adopts an annual appropriated budget for all of its operating funds. A budgetary comparison schedule has been provided for the General Fund, on page 27 to demonstrate performance against this budget. For individual fund budget comparisons for the Nonmajor Special Revenue, Capital Project and Debt Service funds please see the supplementary information schedules.

The governmental funds’ financial statements can be found on page 23 of this report.

Proprietary funds Proprietary Funds include both Internal Service and Enterprise Funds and are presented on a full accrual basis similar to government-wide financial statements.

The County has three Internal Service Funds. These *Internal Service Funds* are used to account for the general liability and workers' compensation insurance activities and other benefit programs.

The County maintains two Enterprise Funds to account for the County hospital (*Natividad Medical Center*) and Parks and Lake Resort activities.

The proprietary fund's financial statements can be found on pages 30 of this report.

Fiduciary funds Fiduciary funds are used to 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains three different types of fiduciary funds. The Investment Trust Fund is used to report resources held in trust for legally separate entities' portion of cash in the Treasurer's Investment Pool. The Private Purpose Trust Fund is used to report resources held in trust for the former redevelopment agencies obligation retirement activities. Lastly, the Agency funds account for various local governments' assets.

The fiduciary funds' financial statements can be found on pages 35 and 36 of this report.

Notes to financial statements The 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. The notes to financial statements can be found on pages 39 - 73 of this report.

Other Information In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligations to provide pension and retiree health care benefits to its employees. Required supplementary information can be found on page 77of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 81 - 143 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $833.7 at the close of the current fiscal year (Table 1 – Net Position).

TABLE 1 - County of Monterey's Net Position (in millions)

	Governmental Activities		Business-Type Activities Grouping		Total		Total	
	2014	2013	2014	2013	2014	2013	Dollar Charge	Percent Charge
Current and other assets	$ 435.2	$ 435.5	$ 84.3	$100.6	$ 519.5	$536.1	$ (16.6)	-3.1 %
Capital assets	645.9	656.9	128.6	121.8	774.5	778.7	(4.2)	-0.5 %
Total Assets	1,081.1	1,092.4	212.9	223.9	,294.0	314.8	(20.8)	-1.6 %
Deferred charge on refunding	2.3	-	3.9	-	6.2	-	6.2	- %
Total Deferred Outflows of Resources	2.3	-	3.9	-	6.2	-	6.2	- %
Current and other liabilities	70.2	96.6	24.5	27.6	94.7	124.2	(29.5)	-23.8 %
Long term liabilities	298.8	298.6	73.0	74.9	371.8	373.5	(1.7)	-0.5 %
Total Liabilities	369.0	395.2	97.5	102.5	466.5	497.7	(31.2)	-6.3 %
Net investment in capital assets	476.7	486.7	64.9	56.8	541.6	543.5	(1.9)	-0.3 %
Restricted	58.5	45.8	-	-	58.5	45.8	12.7	27.7 %
Unrestricted	179.2	164.7	54.3	63.1	233.6	227.8	5.8	2.5 %
Total Net Position	$ 714.5	$ 697.2	$119.3	$119.9	$ 833.7	$817.1	$ 16.6	2.0 %

The largest portion of the County’s net position, $541.6 or 65.0% reflects its net investment in capital assets, (land, buildings, roads, bridges, machinery and equipment) less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used.

Another portion of the County’s net position, $58.5, represents resources that are subject to constraints by either external creditors or government entities or by law through constitutional provisions or enabling legislation. The major restrictions on the County’s net position are imposed by state and federal restrictions for allocations to areas such as: health and sanitation, public assistance, public protection, capital projects, debt service, water resource agencies, and housing and redevelopment. Restricted net position increased by $12.7, or 27.7% as a result of unspent portion of the restricted resources being higher this fiscal year compared to the last fiscal year.

The County’s unrestricted net position balance of $233.6 represents resources that are available to meet the County’s ongoing obligations to citizens and creditors. Unrestricted net position increased by $5.8.

TABLE 2 - County of Monterey's Changes in Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total		Total	
	2014	2013	2014	2013	2014	2013	Dollar Charge	Percent Charge
Revenues								
Program Revenue:								
Charges for service	$ 105.7	$ 110.6	$186.3	$177.5	$ 292.0	$288.1	$ 3.9	1.4 %
Operating grants and contributions	354.9	353.4	0.1	0.9	355.0	354.3	0.7	0.2 %
Capital grants and contributions	5.4	11.1	-	1.6	5.4	12.7	(7.3)	-57.5 %
General revenue:								
Property tax	128.5	124.8	-	-	128.5	124.8	3.7	3.0 %
Sales tax & sales in lieu	9.7	8.8	-	-	9.7	8.8	0.9	10.2 %
Transient occupancy taxes	19.9	17.9	-	-	19.9	17.9	2.0	11.2 %
Other taxes	8.2	7.5	-	-	8.2	7.5	0.7	9.3 %
Unrestricted investment earnings	8.7	7.8	0.2	0.3	8.9	8.1	0.8	9.9 %
Tobacco settlement revenues	3.7	5.6	-	-	3.7	5.6	(1.9)	-33.9 %
Other revenues	6.8	2.7	5.0	7.4	11.8	10.1	1.7	16.8 %
Total revenues	651.4	650.0	191.6	187.8	843.1	837.8	5.2	0.6 %
Expenses								
General government	62.8	68.1	-	-	62.8	68.1	(5.3)	-7.8 %
Public safety and protection	215.6	202.4	-	-	215.6	202.4	13.2	6.5 %
Public ways and facilities	30.5	28.4	-	-	30.5	28.4	2.1	7.4 %
Health and Sanitation	133.6	123.1	-	-	133.6	123.1	10.5	8.5 %
Public assistance	168.4	161.2	-	-	168.4	161.2	7.2	4.5 %
Education	8.4	7.8	-	-	8.4	7.8	0.6	7.7 %
Recreation and cultural services	5.3	4.5	-	-	5.3	4.5	0.8	17.8 %
Interest on long-term debt	8.7	9.5	-	-	8.7	9.5	(0.8)	-8.4 %
Natividad Medical Center	-	-	184.6	179.5	184.6	179.5	5.1	2.8 %
Parks and Lake Resort	-	-	8.5	10.1	8.5	10.1	(1.6)	-15.8 %
Total expenses	633.3	604.9	193.1	189.6	826.3	794.5	31.8	4.0 %
Change in net position before transfers and special and extraordinary items	18.2	45.2	(1.5)	(1.8)	16.7	43.2	(26.6)	-61.6 %
Transfers	(0.9)	(6.5)	0.9	6.5	-	-	-	- %
Change in net position	17.3	38.7	(0.6)	4.6	16.7	43.2	(26.6)	-61.6 %
Net position, beginning	678.6	639.9	121.3	116.7	799.9	756.6	43.3	5.7 %
Prior Period Adjustment	18.6	-	(1.4)	-	17.2	-	17.2	- %
Net position, ending	$ 714.5	$ 678.6	$119.3	$121.3	$ 833.7	$799.9	$ 33.9	4.2 %

Governmental Activities Governmental activities increased the County's net position by $17.3. The increase is mainly attributed to the continuing improvement in the economy and the resulting gains in general (non-program) revenues.

Revenues Revenue for Governmental activities (not including transfers, special and extraordinary items) increased from $650.0 to $651.4, or $1.4.

- Charges for services decreased by $4.9 and was offset by the $4.1 increase in Other revenues. The funding of $4.5 for prior year Health services received this year was recorded as miscellaneous revenues rather than service revenues, also discussed in the General Fund Budgetary Highlights on page 12.
- Capital grants and contributions decreased by $5.7, or 51.7%. The decrease is a result of the one-time funding in fiscal year 2013 for a special road project under Public Ways and Facilities and for a special water project under Health and Sanitation.
- Property taxes increased by $3.7, or 3% as the housing market continues to improve and housing values increase.

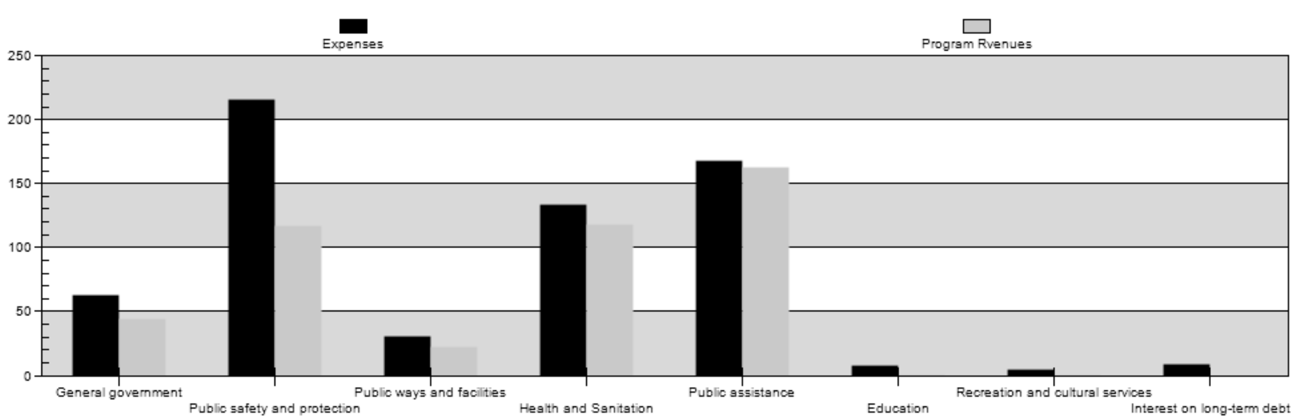
- Transient Occupancy taxes increased by $2.0, or 11.2%; and Sales tax increased by $0.9, or 10.2%. These increases are attributable to the continuing economic recovery and the associated tax revenues from tourism and consumerism.
- The increase of $0.9, or 11.5% in Investment Earnings can be attributed to the recovering economy, as well.
- Tobacco Settlement revenues decreased by $1.9, or 33.9% due to the additional, one-time settlement benefit received in the prior year while revenues returned to normal levels this fiscal year.

Expenses Total governmental expenses increased by $28.4 or 4.7% to $633.3. The largest contributors to the change were general government, public safety, public ways and facilities, health and sanitation, and public assistance:

- General government expenses decreased by $5.3 or 7.8%.The main drivers were higher losses in capital assets disposal last year compared to this year, lower capital spending, and capitalization of Next Generation Radio Program assets from prior year.
- Public safety and protection expenses show an increase of $13.2 or 6.5%. State's realignment growth of public safety responsibilities to the County, growth in total authorized positions, and increased costs of employee retirement and health benefits contributed to the increase in this category.
- Public ways and facilities expenses show an increase of $2.1 or 7.4%. Various planned Roads and Bridges capital projects through out the County contributed to the increase.
- Health and sanitation expenses show an increase of $10.5 or 8.5%. Additional positions were added to prepare for implementation of the Affordable Care Act program (ACA). The ACA Medi-Cal expansion and federal reimbursement provisions increased Behavioral Health expenses. Capital improvements for the expansion of clinics facilities have also contributed to the increase.
- Public assistance expenses show an increase of $7.2 or 4.5%.The main drivers were implementation of the ACA and In-Home Supportive Services (IHSS) program cost increases. Staffing levels were increased to accommodate additional workload associated with the ACA and per hour cost for the IHSS care providers increased.

As shown in the following chart, program revenues are less than the expenses in all functional areas. The difference of program expenses over program revenue is $167.3.

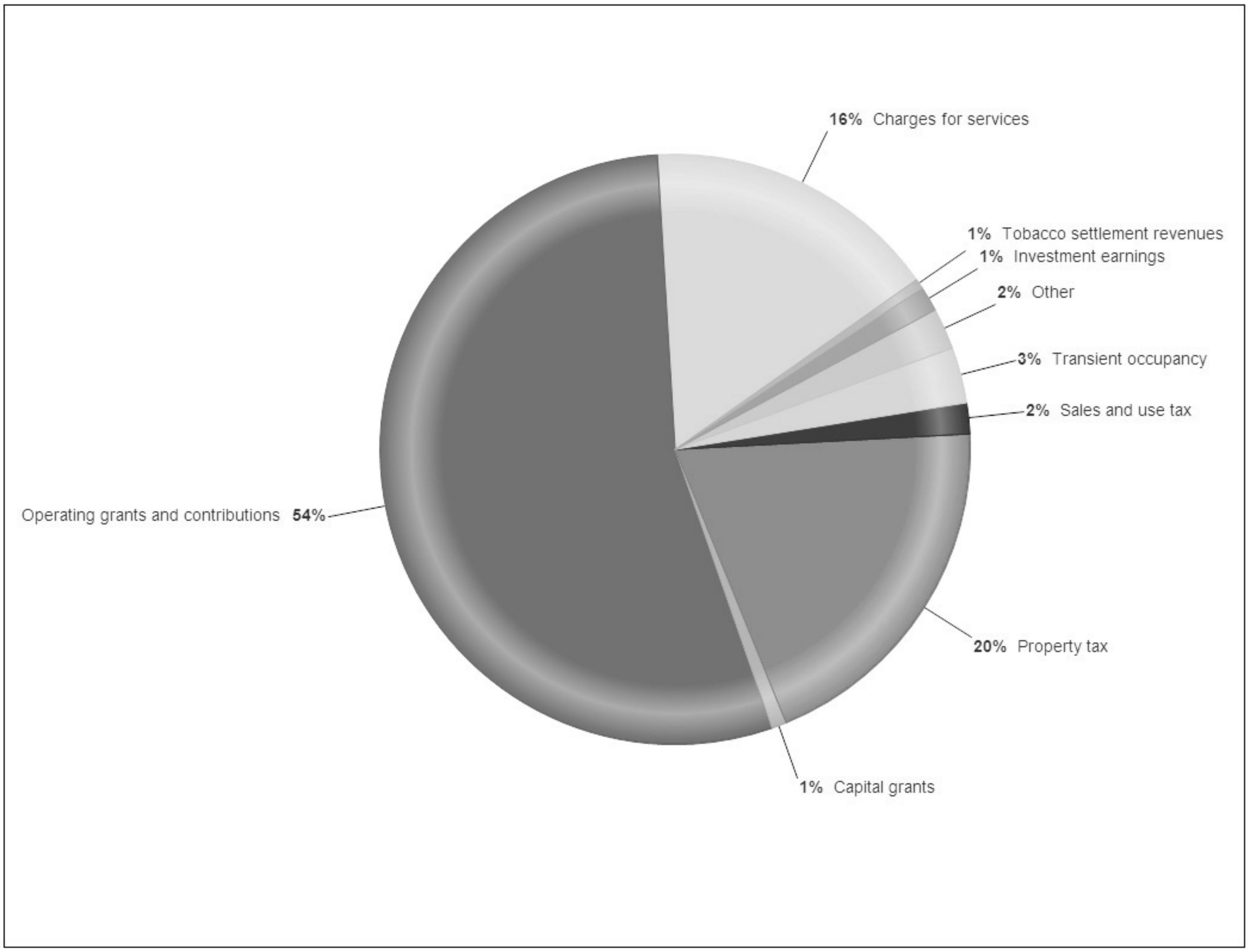
Expenses & Program Revenues- Governmental Activities



Program revenues are not intended to fully support governmental programs. This presentation is meant to show the net cost of each program prior to allocation of general revenues. The net cost of $167.3 of these programs is funded by general revenues of $184.6.

Total revenue by sources for governmental activities is shown on the following chart.

Revenues by Source - Governmental Activities



Business-type Activities Natividad Medical Center ("Center") is the major Enterprise Fund reported in this section. The Center is owned and operated by the County and governed by the County Board of Supervisors with the assistance of a separate Board of Trustees. As a County entity, the Center is mandated to treat patients, regardless of ability to pay. The other Enterprise Fund is the Parks and Lake Resort ("Parks") fund which provides an assortment of outdoor and recreational activities associated with, and on the lands surrounding, Lake San Antonio and Lake Nacimiento.

The Center experienced a net operating gain of $2.5 and a net non-operating loss of $1.0 in fiscal year 2013-14. This fiscal year shows a decrease in net position of $1.8 due to transfers-out of $3.2; $0.8 for realignment program, and $2.4 for one-time reimbursement by the Center to the general fund. Additional reduction in net position of $1.5 due to prior period adjustment (see note 19) has brought its ending net position to a balance of $117.5, which is 2.7% lower than last year.

Parks experienced a net operating loss of $3.1 and a net non-operating loss of $0.2, but resulted to a positive change in net position of $0.8 due to various transfers in of $4.1. The operating loss was caused by operating expenses exceeding operating revenues for the fund.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

As of the end of the fiscal year, the County's governmental funds reported total fund balances of $241.1, an increase of $22.7 from the prior year total fund balances. The increase is mainly attributed to the recovery in property tax revenue, growth in transient occupancy tax receipts, and receipt of tax increment authorized under the Redevelopment Dissolution Act.

The components of fund balance are:

- Nonspendable, approximately $0.5 or 0.2% of total fund balance is made up of inventories and prepaid expenditures.
- Restricted balances of $58.5 or 24.3%, which can only be used as stipulated by legislative code, grants or debt instruments.
- Committed funds of $67.2 or 27.9%, delegated by the Board of Supervisors as set aside for specific purposes. The main component is $60.3 of strategic reserve commitments set aside in the General Fund.
- Assigned funds of $97.3 or 40.4% are earmarked to meet the County's current and future needs. The majority of these funds are held in special revenue funds to be used for the purpose of those funds while the remaining is set-aside for specific purposes in the General Fund (see Fund Balance section of Note of this report for additional information).
- Unassigned funds of $17.6 or 7.3% represents the General Fund's resources that are not classified in the four previous categories and are considered available for spending at the government's discretion.

General Fund The General Fund is the main operating fund of the County. All County activities not included in a separate fund are included in the General Fund. The unassigned fund balance at June 30, 2014 totaled $17.6 while the total fund balance increased to $117.9 from $104.0 due to revenue and transfer-in exceeding the expenditure and transfer-out for this fund. Revenue increased by $16.5 mainly due to the recovery in property tax revenue, growth in transient occupancy tax, and an increase in tax increment due to the Redevelopment Dissolution Act. Expenditures increased by $25.9 primarily due to the state's realignment responsibilities growth associated with health, social services, and public safety programs, and higher employee retirement and health insurance costs.

Behavioral Health The Behavioral Health Fund, a major fund, is established to segregate the revenues and expenditures associated with mental health and substance abuse programs. Behavioral Health has a total fund balance of $26.1, of which $22.6 is restricted by grantors, $3.4 is committed, and $0.1 is assigned.

Community Development Community Development is used for a variety of economic development activities including loans made to businesses and individuals. Total expenditures for the year exceeded revenues, which reduced the fund balance by $0.4 to $1.4.

Other Governmental Funds The sum of the fund balances of the remaining non major governmental funds increased $5.6 to a balance of $95.6. The increase was mainly in the Special Revenue funds. Revenues exceeded expenditures in the Road fund by $4.0, Health & Welfare Realignment by $7.0, Local Revenue by $2.6, and Other Water Resources by $2.1. Those increases were reduced by a decrease of $10.0 in the Capital Projects funds; where capital improvements and maintenance expenditures exceeded revenues.

Proprietary Funds Natividad Medical Center and Parks comprise the Enterprise Funds which are also the component of the business-type activities. Also included in the Proprietary Funds are the activities under Internal Service Funds.

For the Center and Parks performance and operating results, please refer to Business-type activities above.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget to Final Budget

	Original	Final	Increase (Decrease)
Estimate revenues	$ 452.1	$ 458.0	$ 5.9
Appropriations	$ 505.3	$ 511.4	$ 6.1

Estimated revenues increase of $5.9:

The final estimated revenue budget increased compared to the original budget by 1.3%. The anticipated increase in Aid from other governmental agencies due to the State's realignment growth in public safety programs contributed $4.1. Other revenue increased by $1.5.

Appropriations increase of $6.1:

Appropriation budgets were increased to reflect the anticipated receipt of the above funding sources. Public safety anticipated $4.0 increase in expenditures due to the additional shift of realignment responsibilites from the State. Public assistance anticipated $2.1 increase in ACA implementation and ACA MediCal expansion. The net result was an increase from the original budget of 1.2%.

Final Budget to Actual

	Final	Actual	Increase (Decrease)
Revenues	$ 458.0	$ 449.4	$ (8.6)
Expenditures	$ 511.4	$ 473.8	$ (37.6)

Revenues actual was lower than final budget by $8.6 or 1.9%. This was a net effect of revenues actual being lower than budget in some categories and higher than budget in the others.

Revenues actual was lower than budget as follows:

- $9.2 in Aid from other governmental agencies as a result of lower than anticipated realignment receipt of $7.7 due to legislative changes and budgeting mis-classification of $1.5 in this category instead of Transfer-in;
- $12.9 in Charges for services. $8.6 was in Clinic Services mainly due to 1) postponement of some of the clinic facilities expansion causing lower than anticipated increase in office visits and 2) prior year cost report settlement revenue being mis-classified as Micellaneous rather than this category. The remianing variance was caused by various factors such as reduction in social services programs and incorrect budgetary estimates for parks fees related to Laguna Seca Race Track.

Revenues actual was higher than budget as follows:

- $5.8 in Taxes due to higher than antcipated increase in property, sales, and transient occupancy taxes from economic recovery;
- $2.4 in Licenses and permits from higher than anticipated construction activities;
- 4.5 in Miscellaneous revenues due to mis-classification of Charges for services revenue as stated above.

Expenditures actual was less than final budget by $37.6:

The budgetary expenditures actual was 7.4% lower than final budget. Major areas of expenditures savings include:

- $6.8 in general plan implementation cost, trial court payments, general subsidies, and emergency building maintenance cost;
- $11.3 in Social Services due to CalWorks employment and entitlement project delays and unfilled vacancies;
- $6.8 in the Health Department largely due to delays in capital projects for the Clinic Services and salary savings from unfilled vacancies in Public Health;
- $3.3 in Resource Management programs due to delays in Pfeiffer Ridge fire maintenance and Vehicle Replacement Program activities;
- $1.7 in Emergency Communications due to delays in Next Generation Radio Project and salary savings;
- $1.1 in Elections due to only one third of the districts having eligible measures or candidates on the November 2013 ballot.

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amount to $645.9 and $128.6, respectively (net of accumulated depreciation). This investment is in a broad range of capital assets including land, structures and improvements, equipment, intangible assets, infrastructure, and construction in progress.

TABLE 3 - County of Monterey's Capital Assets

	Governmental Activities		Business-Type Activities		Total		Total	
	2014	2013	2014	2013	2014	2013	Dollar Charge	Percent Charge
Land	$ 180.2	$ 179.5	$ -	$ -	$ 180.2	$ 179.5	$ 0.7	0.4 %
Structures and improvements	248.9	236.7	162.5	162.3	411.4	399.0	12.4	3.1 %
Equipment	112.5	102.9	85.2	74.6	197.7	177.5	20.2	11.4 %
Intangible assets	3.3	3.2	-	-	3.3	3.2	0.1	3.1 %
Infrastructure	601.0	581.8	-	-	601.0	581.8	19.2	3.3 %
Construction in Progress (CIP)	28.1	47.3	13.9	6.9	42.0	54.2	(12.2)	-22.5 %
Total Capital Assets	1,174.0	1,151.4	261.6	243.8	1,435.6	1,395.2	40.4	2.9 %
Accumulated Depreciation	(528.1)	(494.5)	(133.0)	(122.0)	(661.1)	(616.5)	(44.6)	7.2 %
Total	$ 645.9	$ 656.9	$ 128.6	$ 121.8	$ 774.5	$ 778.7	$ (4.2)	-0.5 %

The County both purchases and constructs/develops capital assets throughout the year. Capital projects are generally completed over multiple fiscal years. Costs accumulate within the construction in progress (CIP) account until the completion of projects. At completion, all costs of a project are totaled then transferred to the appropriate capital asset classification. In the current year, CIP had a net decrease of $19.2 for governmental activities. This was the result of completing 5 projects costing $35.6 and on-going/new construction and adjustment costs of $16.4.

Major construction in progress events during the current fiscal year included the following:

- Resource Management, Facilities and Architectural Services completed the East Alisal Probation Building and the Photovoltaic System at a cost of $7.2 & $2.5, respectively.
- Public Works completed 7 road, bridge, and drainage improvement projects with total costs of $16.2
- Emergency Communications, Next Generation Radio Project is estimated to be completed in FY2015 and has cumulative cost of $8.2.
- Behavioral Health completed tenant improvement projects costing $4.9.

- Water Resources completed the Pajaro Bench Excavation Project with total cost of $2.3.
- Various on-going road projects related to bridges, streets, and bikeways incurred cost of $2.4.
- Public Protection purchased the 20 East Alisal Probation building and began renovations at a cost of $5.4.

The accompanying government-wide financial statements include the costs of those assets that were either completed during the fiscal year or considered CIP at year-end. Additional information on the County's capital assets can be found in Note 5 of this report.

DEBT ADMINISTRATION

State statutes limit the amount of general obligation debt a government entity may issue to 1.25% of the total assessed valuation of property within the County. The current legal debt limitation of the County is $644.3. The County's long-term issues payable is $258.0, but none is applicable to the debt limit. The following schedule does not include the liabilities for self-insurance, compensated absences, and estimated landfill closure, which are components of the long-term liabilities balance of $365.5. (See Note 8– Long-Term Liabilities).

At June 30, 2014, the County had total long-term debt outstanding of $258.0. This was a decrease of $7.9 or 3.0% from the prior year balance of $265.9. The decrease is due to annual debt service payments of $14.5 made without new debt being incurred offset by the refunding loss of $6.6, now reported as a Deferred Outflow of Resources in a separate Note.

TABLE 4 - County of Monterey's Long-Term Debt (in millions)

	Governmental Activities		Business-Type Activities		Total		Total	
	2014	2013	2014	2013	2014	2013	Dollar Charge	Percent Charge
Certificates of participation	$ 126.0	$ 128.5	$ 59.5	$ 58.3	$ 185.5	$ 186.8	$ (1.3)	-0.7 %
Revenue bonds	32.0	32.7	-	-	32.0	32.7	(0.7)	-2.1 %
Loans payable	25.6	26.6	-	-	25.6	26.6	(1.0)	-3.8 %
Judgement obligation bonds	-	0.9	-	-	-	0.9	(0.9)	-100.0 %
Notes payable	10.0	11.0	-	-	10.0	11.0	(1.0)	-9.1 %
Capital leases	0.1	0.1	-	-	0.1	0.1	-	- %
Other bonds and notes	0.1	0.1	4.7	7.7	4.8	7.8	(3.0)	-38.5 %
Total	$ 193.8	$ 199.9	$ 64.2	$ 66.0	$ 258.0	$ 265.9	$ (7.9)	-3.0 %

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

ECONOMIC ANALYSIS AND NEXT YEAR'S BUDGET AND RATES

The following are economic factors for fiscal year 2014-15:

- General fund, the County's largest fund that supports basic governmental functions, has projected revenues to grow at modest increments with an estimate at $532.6 for fiscal year 2014-2015, or a 3.7% increase from fiscal year 2013-2014 year-end estimate. General fund revenues are categorized as "program" and "non-program" based on the source of and purpose for the funding. Program revenues, primarily form State and Federal sources, are typically provided for a statutory purpose and must by law be spent on designated activities. An estimate of $353.8 for program revenues is included in the total General fund revenue forecast for fiscal year 2014-2015, which is a 4.3% increase from fiscal year 2013-2014 year-end estimate.
- As the economy continues to recover from the 2007-2009 recession, Monterey County's assessed property values continued to increase modestly throughout the year as reflected by higher property taxes revenue than last year by $3.7. Non-program revenues from taxes,including property tax, transient occupancy tax, and sales and use tax, are trending upward, but with conservative growth towards pre-recession levels. The three-year forecast estimated $178.8 of non-program revenues.

- Details provided in the most recent three-year forecast, specifically on General Fund, indicate an increasing annual gap between expenditure requirements and available sources for funding them from fiscal year 2014-2015 throughout fiscal year 2016-2017. General Fund resources continue to be constrained by growing cost for retirement, health care premiums, and requirements for pre-funding retiree health care. Furthermore, the cost to fill vacant positions that the County was financially unable to fill during the aftermath of the recession, is the biggest cost driver in the forecast years with the assumptions that these vacant positions will be filled during this three-year period.
- Realignment of health, social services, and probation responsibilities to the County, which were formerly assumed by the State, results in increases to both appropriations and revenues. There is concern that future State action may impact related funding for the support of realigned programs.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the County of Monterey, Office of Auditor-Controller, 168 West Alisal Street, Salinas, CA 93901.

BASIC FINANCIAL STATEMENTS -
GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COUNTY OF MONTEREY

Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Children & Families Comm
ASSETS				
Cash and investments:				
Held in County treasury	$ 306,924,765	$ 50,781,417	$ 357,706,182	$ 16,150,244
Held with trustee	15,462,805	-	15,462,805	684,764
Other bank accounts	2,355,085	379,561	2,734,646	-
Imprest	23,572	2,405	25,977	150
Restricted	2,162,161	440,727	2,602,888	-
Receivables	80,906,807	30,344,785	111,251,592	917,659
Inventories	390,048	2,406,448	2,796,496	-
Prepaid items	222,573	2,274,981	2,497,554	339,111
Internal balances	2,329,636	(2,329,636)	-	-
Notes receivable	24,473,107	-	24,473,107	-
Capital assets:				
Nondepreciable	208,353,902	13,937,956	222,291,858	-
Depreciable, net	437,519,228	114,692,415	552,211,643	2,610
Total assets	1,081,123,689	212,931,059	1,294,054,748	18,094,538
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,291,134	3,856,301	6,147,435	-
Total deferred outflows of resources	2,291,134	3,856,301	6,147,435	-
LIABILITIES				
Vouchers and accounts payable	19,825,602	6,236,010	26,061,612	2,641,905
Accrued salaries and benefits	17,355,286	4,884,988	22,240,274	34,955
Accrued interest payable	3,030,975	1,126,892	4,157,867	-
Accrued liabilities	192,640	12,295,825	12,488,465	-
Deposits from others	11,254,599	20,000	11,274,599	-
Unearned revenues	18,559,889	-	18,559,889	-
Long-term liabilities:				
Due within one year	28,814,315	8,548,885	37,363,200	35,414
Due beyond one year	264,456,242	63,606,985	328,063,227	76,360
Liability for post-employment benefits	5,467,589	810,849	6,278,438	-
Total liabilities	368,957,137	97,530,434	466,487,571	2,788,634
NET POSITION				
Net investment in capital assets	476,706,658	64,921,279	541,627,937	367
Restricted for:				
Health and sanitation	29,531,343	-	29,531,343	15,305,537
Public assistance	5,257,456	-	5,257,456	-
Public protection	9,136,568	-	9,136,568	-
Capital projects	178,213	-	178,213	-
Debt service	12,216,456	-	12,216,456	-
Other water resource agencies	1,470,422	-	1,470,422	-
Housing and redevelopment	740,213	-	740,213	-
Unrestricted	179,220,357	54,335,647	233,556,004	-
Total net position	$ 714,457,686	$ 119,256,926	$ 833,714,612	$ 15,305,904

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

COUNTY OF MONTEREY

Statement of Activities
For the Year Ended June 30, 2014

		Program Revenues		
Function/Program Activities	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 62,834,475	$ 22,855,069	$ 20,819,159	$ 231,758
Public safety and protection	215,555,801	38,654,055	78,196,635	241,345
Public ways and facilities	30,512,710	3,309,178	13,371,439	4,896,932
Health and Sanitation	133,639,188	37,201,465	80,870,513	75
Public assistance	168,359,498	2,574,446	160,894,445	-
Education	8,373,225	148,755	718,847	-
Recreation and cultural services	5,341,944	956,657	22,500	-
Interest on long-term debt	8,655,531	-	-	-
Total governmental activities	633,272,372	105,699,625	354,893,538	5,370,110
Business-type activities:				
Natividad Medical Center	184,553,107	181,564,513	-	-
Parks and Lake Resort	8,501,755	4,726,773	96,139	-
Total business-type activities	193,054,862	186,291,286	96,139	-
Total primary government	$ 826,327,234	$ 291,990,911	$354,989,677	$ 5,370,110
Component unit				
Children and Families Commission	$ 7,172,110	$ -	$ 5,326,028	$ -
Total Component Units	$ 7,172,110	$ -	$ 5,326,028	$ -

General revenues:
Taxes:
Property tax
Sales and use taxes
Transient occupancy taxes
Other taxes
Unrestricted interest and investment earnings
Tobacco settlement revenues
Other revenues
Transfers
Total general revenues, special items and transfers

Changes in net position

Net position - July 1, 2013, as restated

Net position - June 30, 2014

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Totals	Children & Families Comm
$ (18,928,489)	$ -	$ (18,928,489)	$ -
(98,463,766)	-	(98,463,766)	-
(8,935,161)	-	(8,935,161)	-
(15,567,135)	-	(15,567,135)	-
(4,890,607)	-	(4,890,607)	-
(7,505,623)	-	(7,505,623)	-
(4,362,787)	-	(4,362,787)	-
(8,655,531)	-	(8,655,531)	-
(167,309,099)	-	(167,309,099)	-
-	(2,988,594)	(2,988,594)	-
-	(3,678,843)	(3,678,843)	-
-	(6,667,437)	(6,667,437)	-
$ (167,309,099)	$ (6,667,437)	$ (173,976,536)	$ -
			(1,846,082)
$ -	$ -	$ -	$ (1,846,082)
$ 128,477,002	$ -	$ 128,477,002	$ -
9,687,731	-	9,687,731	-
19,881,258	-	19,881,258	-
8,221,113	-	8,221,113	-
8,666,011	217,145	8,883,156	77,887
3,654,824	-	3,654,824	330
6,830,591	4,950,103	11,780,694	-
(862,378)	862,378	-	-
184,556,152	6,029,626	190,585,778	78,217
17,247,053	(637,811)	16,609,242	(1,767,865)
697,210,633	119,894,737	817,105,370	17,073,769
$ 714,457,686	$119,256,926	$ 833,714,612	$ 15,305,904

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

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BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS

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COUNTY OF MONTEREY

Balance Sheet
Governmental Funds
June 30, 2014

	General	Behavioral Health	Community Development	Other Governmental	Total
Assets					
Cash and investments:					
Held in County Treasury	$ 129,267,529	$ 20,253,390	$ 1,306,270	$ 80,563,127	$ 231,390,316
Held with trustee	-	250,000	534,665	14,678,140	15,462,805
Imprest cash	23,572	-	-	-	23,572
Restricted cash	2,162,161	-	-	-	2,162,161
Other bank accounts	635,950	-	-	-	635,950
Receivables	51,381,058	13,196,107	1,566,830	13,661,306	79,805,301
Due from other funds	-	-	-	202,649	202,649
Inventories	251,198	-	-	138,850	390,048
Prepaid items and other assets	-	-	-	100,000	100,000
Notes receivables	-	-	15,383,035	9,090,072	24,473,107
Total assets	$ 183,721,468	$ 33,699,497	$ 18,790,800	$ 118,434,144	$ 354,645,909
Liabilities					
Vouchers and accounts payable	$ 11,697,962	$ 3,246,597	$ 427,812	$ 4,267,661	$ 19,640,032
Accrued salaries and benefits	14,214,544	1,876,678	-	1,264,064	17,355,286
Due to other funds	-	-	-	202,649	202,649
Deposits from others	6,942,047	-	22,140	4,290,413	11,254,600
Unearned revenues	15,691,772	-	207,803	2,660,314	18,559,889
Total liabilities	48,546,325	5,123,275	657,755	12,685,101	67,012,456
Deferred inflows of resources					
Unavailable revenue	17,269,685	2,450,487	16,703,892	10,132,140	46,556,204
Fund balances					
Nonspendable	251,198	-	-	238,850	490,048
Restricted	534,301	22,559,902	-	35,436,469	58,530,672
Committed	60,292,695	3,429,791	-	3,502,286	67,224,772
Assigned	39,275,328	136,042	1,429,153	56,439,298	97,279,821
Unassigned	17,551,936	-	-	-	17,551,936
Total fund balances	117,905,458	26,125,735	1,429,153	95,616,903	241,077,249
Total liabilities, deferred inflows of resources and fund balances	$ 183,721,468	$ 33,699,497	$ 18,790,800	$ 118,434,144	$ 354,645,909

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

COUNTY OF MONTEREY

Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2014

Fund Balance - Total governmental funds		$ 241,077,249
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		645,873,130
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		46,556,204
Internal service funds are used by the County to charge the cost of general liability and workers' compensation insurance and other employee benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		8,959,968
Deferred outflow of resources are not recognized as revenue in the governmental funds.		2,291,134
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. 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 position. Balances as of June 30, 2014, are:		
Bonds and notes payable	$ (57,675,952)	
Certificate of participation	(124,134,432)	
Unamortized premium on certificates of participation	(1,906,974)	
Capital lease obligations	(76,244)	
Accrued interest on long-term debt	(3,030,975)	
Compensated absences	(32,845,309)	
Estimated landfill closure and postclosure costs	(1,904,108)	
OPEB liability	(5,467,589)	
		(227,041,582)
Adjustment necessary to close Internal Service Funds activities. This is the cummulative excess of revenues over expenses allocable to business-type activities.		(3,258,417)
Net positions of governmental activities		$ 714,457,686

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

COUNTY OF MONTEREY

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General	Behavioral Health	Community Development	Other Governmental	Total
Revenues					
Taxes	$ 155,843,546	$ -	$ -	$ 11,163,020	$ 167,006,566
Licenses, permits, and franchises	18,359,999	-	-	227,224	18,587,223
Fines, forfeitures, and penalties	7,427,744	192,197	-	865,773	8,485,714
Revenue from use of money and property	3,502,579	102,355	58,010	3,246,201	6,909,145
Aid from other governmental agencies	198,090,903	66,525,342	1,789,282	95,000,621	361,406,148
Charges for services	55,475,155	1,544,157	140	20,760,922	77,780,374
Miscellaneous revenues	10,681,134	267,733	484,472	692,127	12,125,466
Total revenues	449,381,060	68,631,784	2,331,904	131,955,888	652,300,636
Expenditures					
Current:					
General government	48,764,714	-	-	126,806	48,891,520
Public protection	199,854,904	-	-	14,797,694	214,652,598
Public ways and facilities	-	-	-	25,058,331	25,058,331
Health and sanitation	61,247,488	67,607,662	-	4,050,848	132,905,998
Public assistance	158,659,347	-	2,684,788	6,686,819	168,030,954
Education	500,089	-	-	7,781,335	8,281,424
Recreation and cultural services	4,801,432	-	-	-	4,801,432
Debt service:					
Principal	-	-	-	6,533,170	6,533,170
Interest and debt service costs	1,000	-	-	8,156,260	8,157,260
Capital outlay	-	-	-	10,182,334	10,182,334
Total expenditures	473,828,974	67,607,662	2,684,788	83,373,597	627,495,021
Excess (deficiency) of revenues over (under) expenditures	(24,447,914)	1,024,122	(352,884)	48,582,291	24,805,615
Other financing sources (uses)					
Transfers in	72,656,669	2,418,983	-	39,209,811	114,285,463
Transfers out	(34,321,244)	-	-	(82,163,036)	(116,484,280)
Sale of capital assets	44,004	-	-	6,611	50,615
Total other financing sources (uses)	38,379,429	2,418,983	-	(42,946,614)	(2,148,202)
Net change in fund balances	13,931,515	3,443,105	(352,884)	5,635,677	22,657,413
Fund balances, beginning of year, as restated	103,973,943	22,682,630	1,782,037	89,981,226	218,419,836
Fund balances, end of year	$ 117,905,458	$ 26,125,735	$ 1,429,153	$ 95,616,903	$ 241,077,249

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

COUNTY OF MONTEREY

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 Year Ended June 30, 2014

Net change in fund balance - Total governmental funds		$ 22,657,413
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.		
other related capital asset additions	$ 21,179,784	
Less current year depreciation	(34,087,480)	(12,907,696)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations)		678,122
Some revenues will not be collected within the accrual period established for governmental funds. As a result, they are not considered as available revenues in the governmetnal funds. This change reflects the decrease in unavailable revenue.		(2,335,464)
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. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Change in accrued interest on long-term debt	29,578	
Change in compensated absences	(2,163,064)	
Change in estimated landfill closure and postclosure	178,227	
Change in OPEB liability	384,078	
Amortization of premiums, discounts and refunding loss	4,106	(1,567,075)
Long-term debt proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Costs associated with the issuance of debt are reported as expenditures in the governmental funds, but deferred and amortized through out the period during which the associated debt is outstanding. Prepayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statements of net position.		
Principal repayments:		
Certificates of participation	4,735,713	
Bonds, notes and loans	1,741,431	
Capital leases	56,026	6,533,170
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		4,518,866
Adjustment necessary to close internal service funds activities. This is the current year excess of revenues over expenses allocable to business-type activities		(330,283)
Change in net position of governmental activities		$ 17,247,053

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

COUNTY OF MONTEREY

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General
For the Year Ended June 30, 2014

	Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 150,064,348	$ 150,064,348	$ 155,843,546	$ 5,779,198
Licenses, permits, and franchises	15,637,698	15,960,986	18,359,999	2,399,013
Fines, forfeitures, and penalties	9,061,031	9,111,031	7,427,744	(1,683,287)
Revenue from use of money and property	1,330,989	1,331,289	3,502,579	2,171,290
Aid from other governmental agencies	203,205,160	207,310,490	198,090,903	(9,219,587)
Charges for services	67,389,955	68,334,358	55,475,155	(12,859,203)
Miscellaneous revenues	5,412,181	5,924,181	10,681,134	4,756,953
Total revenues	452,101,362	458,036,683	449,381,060	(8,655,623)
Expenditures				
Current:				
General government	63,476,013	62,932,615	48,764,714	14,167,901
Public protection	200,500,211	204,504,107	199,854,904	4,649,203
Health and sanitation	67,745,286	67,795,286	61,247,488	6,547,798
Public assistance	167,684,590	169,922,737	158,659,347	11,263,390
Education	516,156	516,156	500,089	16,067
Recreation and cultural services	4,455,160	4,806,160	4,801,432	4,728
Debt service				
Interest and debt service costs	935,000	935,000	1,000	934,000
Total expenditures	505,312,416	511,412,061	473,828,974	37,583,087
Excess (deficiency) of revenues over (under) expenditures	(53,211,054)	(53,375,378)	(24,447,914)	28,927,464
Other financing sources (uses):				
Transfers in	71,128,820	71,128,820	72,656,669	1,527,849
Transfers out	(23,685,160)	(27,330,008)	(34,321,244)	(6,991,236)
Premium/Discount on debt issuance	(500,000)	(500,000)	-	500,000
Sale of capital assets	53,362	53,362	44,004	(9,358)
Total other financing sources (uses)	46,997,022	43,352,174	38,379,429	(4,972,745)
Net change in fund balances	(6,214,032)	(10,023,204)	13,931,515	23,954,719
Fund balance, beginning	103,973,943	103,973,943	103,973,943	-
Fund balance, ending	$ 97,759,911	$ 93,950,739	$ 117,905,458	$ 23,954,719

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

COUNTY OF MONTEREY

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Behavioral Health
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 311,479	$ 311,479	$ 192,197	$ (119,282)
Revenue from use of money and property	10,684	10,684	102,355	91,671
Aid from other governmental agencies	70,109,272	70,109,272	66,525,342	(3,583,930)
Charges for services	1,390,369	1,390,369	1,544,157	153,788
Miscellaneous revenues	-	-	267,733	267,733
Total revenues	71,821,804	71,821,804	68,631,784	(3,190,020)
Expenditures				
Current:				
Health and sanitation	73,634,968	73,634,968	67,607,662	6,027,306
Total expenditures	73,634,968	73,634,968	67,607,662	6,027,306
Excess (deficiency) of revenues over (under) expenditures	(1,813,164)	(1,813,164)	1,024,122	2,837,286
Other financing sources (uses):				
Transfers in	1,860,706	1,860,706	2,418,983	558,277
Total other financing sources (uses)	1,860,706	1,860,706	2,418,983	558,277
Net change in fund balances	47,542	47,542	3,443,105	3,395,563
Fund balances, beginning	22,682,630	22,682,630	22,682,630	-
Fund balance, ending	$ 22,730,172	$ 22,730,172	$ 26,125,735	$ 3,395,563

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

COUNTY OF MONTEREY

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Development
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ 65,508	$ 65,508	$ 58,010	$ (7,498)
Aid from other governmental agencies	1,561,143	2,599,363	1,789,282	(810,081)
Charges for services	-	-	140	140
Miscellaneous revenues	974,561	974,561	484,472	(490,089)
Total revenues	2,601,212	3,639,432	2,331,904	(1,307,528)
Expenditures				
Current:				
Public assistance	2,770,297	3,808,517	2,684,788	1,123,729
Total expenditures	2,770,297	3,808,517	2,684,788	1,123,729
Net change in fund balances	(169,085)	(169,085)	(352,884)	(183,799)
Fund balances, beginning	1,782,037	1,782,037	1,782,037	-
Fund balance, ending	$ 1,612,952	$ 1,612,952	$ 1,429,153	$ (183,799)

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

COUNTY OF MONTEREY

Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Natividad Medical Center	Nonmajor Enterprise Fund- Parks Lake & Resort Operations	Total Enterprise Funds	Internal Service
Assets				
Current assets:				
Cash and cash equivalents	$ 50,733,205	$ 48,212	$ 50,781,417	$ 75,534,449
Imprest cash	2,405	-	2,405	-
Other bank accounts	379,561	-	379,561	1,719,135
Receivables	30,192,313	152,472	30,344,785	1,101,506
Due from other funds	-	-	-	441,872
Inventories	2,406,448	-	2,406,448	-
Prepaid expenses	2,274,981	-	2,274,981	122,573
Total current assets	85,988,913	200,684	86,189,597	78,919,535
Noncurrent assets:				
Advances to other funds	-	-	-	5,146,181
Restricted assets - Held by trustee	440,727	-	440,727	-
Capital assets:				
Non-depreciable	13,937,956	-	13,937,956	-
Depreciable, net	110,341,935	4,350,480	114,692,415	-
Total noncurrent assets	124,720,618	4,350,480	129,071,098	5,146,181
Total assets	210,709,531	4,551,164	215,260,695	84,065,716
Deferred Outflows of Resources				
Unamortized refunding loss	3,856,301	-	3,856,301	-
Liabilities				
Current liabilities:				
Accounts payable, deposits and accrued liabilities	13,954,248	137,322	14,091,570	185,570
Accrued salaries and benefits	4,792,701	92,287	4,884,988	-
Accrued interest payable	1,126,892	-	1,126,892	-
Other liabilities	4,460,264	-	4,460,264	192,640
Due to other funds	-	441,872	441,872	-
Current portion of claims liability	-	-	-	13,612,211
Current portion of long-term debt	8,479,730	69,155	8,548,885	993,057
Total current liabilities	32,813,835	740,636	33,554,471	14,983,478
Long-term liabilities:				
Advances from other funds	-	5,146,181	5,146,181	-
Claims liability	-	-	-	51,107,845
Bonds and notes payable	57,979,112	-	57,979,112	9,014,426
Liability for post-employment benefits	796,851	13,998	810,849	-
Compensated absences	5,458,500	169,373	5,627,873	-
Total long-term liabilities	64,234,463	5,329,552	69,564,015	60,122,271
Total liabilities	97,048,298	6,070,188	103,118,486	75,105,749

continued

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

COUNTY OF MONTEREY

Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Natividad Medical Center	Nonmajor Enterprise Fund-Parks Lake & Resort Operations	Total Enterprise Funds	Internal Service
Net Position				
Net investment in capital assets	60,570,799	4,350,480	64,921,279	-
Unrestricted (deficit)	56,946,735	(5,869,505)	51,077,230	8,959,968
Total net position	117,517,534	(1,519,025)	115,998,509	$ 8,959,968
Adjustment to reflect the consolidation of internal service funds activities related to enterprise fund	3,695,982	(437,565)	3,258,417	
Net position of business-type activities	$ 121,213,516	$ (1,956,590)	$ 119,256,926	

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

COUNTY OF MONTEREY

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Natividad Medical Center	Nonmajor Enterprise Fund- Parks Lake & Resort Operations	Total Enterprise Funds	Internal Service
Operating revenues:				
Net patient services revenues	$ 180,434,586	$ -	$ 180,434,586	$ -
Charges for services	4,228,377	1,877,591	6,105,968	32,469,077
Other operating revenues	-	2,850,908	2,850,908	2,728,137
Total operating revenues	184,662,963	4,728,499	189,391,462	35,197,214
Operating expenses:				
Salaries and benefits	108,575,760	2,835,402	111,411,162	3,067,542
Services and supplies	19,857,852	4,016,943	23,874,795	6,784,860
Claims expense	-	-	-	21,329,067
Purchased services	40,287,066	-	40,287,066	-
Depreciation	10,251,939	860,577	11,112,516	-
Other expenses	3,222,748	79,403	3,302,151	904,520
Total operating expenses	182,195,365	7,792,325	189,987,690	32,085,989
Net operating income (loss)	2,467,598	(3,063,826)	(596,228)	3,111,225
Non-operating revenues (expenses):				
Intergovernmental revenue	-	96,139	96,139	-
Interest income	224,628	(7,483)	217,145	603,157
Interest expense	(3,106,581)	(290,874)	(3,397,455)	(531,955)
Rental income	1,129,927	-	1,129,927	-
Other non-operating revenues	720,000	-	720,000	-
Total non-operating revenues (expenses)	(1,032,026)	(202,218)	(1,234,244)	71,202
Net income (loss) before transfers	1,435,572	(3,266,044)	(1,830,472)	3,182,427
	-	-	-	-
Transfers in	-	4,051,240	4,051,240	1,336,439
Transfers out	(3,188,862)	-	(3,188,862)	-
Change in net position	(1,753,290)	785,196	(968,094)	4,518,866
Net position, beginning of year as restated	119,270,824	(2,304,221)	116,966,603	4,441,102
Net position, end of year	$ 117,517,534	$ (1,519,025)	$ 115,998,509	$ 8,959,968
Change in net position, from above	$ (1,753,290)	$ 785,196	$ (968,094)	
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	748,839	(418,556)	330,283	
Change in net position of business-type activities	$ (1,004,451)	$ 366,640	$ (637,811)	

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

COUNTY OF MONTEREY

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Natividad Medical Center	Nonmajor Enterprise Fund-Parks & Lake Resort	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Cash received from patients and third party payors	$ 183,107,566	$ -	$ 183,107,566	$ -
Cash receipts from customers and users	-	7,257,141	7,257,141	34,569,244
Cash received from other sources	-	-	-	-
Cash paid to employees for services	(107,425,526)	(2,904,638)	(110,330,164)	(3,067,542)
Cash paid to suppliers for good and services	(62,953,225)	(6,779,412)	(69,732,637)	(27,690,652)
Net cash provided (used) by operating activities	12,728,815	(2,426,909)	10,301,906	3,811,050
Cash flows from noncapital financing activities:				
Grants revenues received	-	96,139	96,139	-
Transfers from other funds	-	4,051,240	4,051,240	-
Transfers to other funds	(3,188,862)	-	(3,188,862)	-
Due from other funds	-	-	-	1,314,932
Due from other agencies	(8,768,685)	-	(8,768,685)	-
Due to other funds	(1,022,929)	(841,256)	(1,864,185)	(667)
Cash received from Natividad Medical Foundation	720,000	-	720,000	-
Net cash provided (used) by noncapital financing activities	(12,260,476)	3,306,123	(8,954,353)	1,314,265
Cash flows from capital and related financing activities:				
Collection of advances	-	-	-	441,872
Repayment of advances	-	(441,872)	(441,872)	-
Principal paid on capital related debt	(6,119,486)	-	(6,119,486)	(1,825,606)
Interest paid on capital related debt	(2,708,526)	(290,874)	(2,999,400)	(543,555)
Payments related to the acquisition of capital assets	(17,888,085)	(90,773)	(17,978,858)	-
Net cash provided (used) by capital and related financing activities	(26,716,097)	(823,519)	(27,539,616)	(1,927,289)
Cash flows from investing activities:				
Cash received from rental income	1,129,927	-	1,129,927	-
Interest payments received	224,628	-	224,628	603,157
Interest payments made	-	(7,483)	(7,483)	-
Net cash provided (used) by investing activities	1,354,555	(7,483)	1,347,072	603,157
Net increase (decrease) in cash and cash equivalents	(24,893,203)	48,212	(24,844,991)	3,801,183
Cash and cash equivalents, July 1	76,449,101	-	76,449,101	73,452,400
Cash and cash equivalents, June 30	$ 51,555,898	$ 48,212	$ 51,604,110	$ 77,253,583
Reconciliation of cash and cash equivalents to statement of net position				
Cash and cash equivalents	$ 50,733,205	$ 48,212	$ 50,781,417	$ 75,534,448
Imprest cash	2,405	-	2,405	-
Other bank accounts	379,561	-	379,561	1,719,135
Restricted cash	440,727	-	440,727	-
Total cash and cash equivalents	$ 51,555,898	$ 48,212	$ 51,604,110	$ 77,253,583

continued

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

COUNTY OF MONTEREY

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Natividad Medical Center	Nonmajor Enterprise Fund-Parks & Lake Resort	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income to net cash				
Provided by operating activities:				
Operating income (loss)	$ 2,467,598	$ (3,063,826)	$ (596,228)	$ 3,111,225
Adjustments to reconcile operating income to net				
Cash provided (used) by operating activities:				
Depreciation and amortization	10,251,939	860,577	11,112,516	-
(Increase) decrease in receivables	(1,555,397)	2,528,642	973,245	(627,916)
(Increase) decrease in inventories	23,902	-	23,902	-
(Increase) decrease in prepaid items	893,769	-	893,769	-
Increase (decrease) in accounts payable	(2,222,829)	(2,683,067)	(4,905,896)	(3,256,569)
Increase (decrease) in other accrued liabilities	1,359,599	(62,955)	1,296,644	(64,946)
Increase (decrease) in other salaries and benefits	1,193,114	-	1,193,114	-
Increase (decrease) in other liabilities	360,000	-	360,000	-
Increase (decrease) in compensated absences	67,762	-	67,762	-
Increase (decrease) in post-employment liability	(110,642)	(6,280)	(116,922)	-
Increase (decrease) in claims liability	-	-	-	4,649,256
Total adjustments	10,261,217	636,917	10,898,134	699,825
Net cash provided (used) by operating activities	$ 12,728,815	$ (2,426,909)	$ 10,301,906	$ 3,811,050

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

COUNTY OF MONTEREY

Statement of Fiduciary Net Position
June 30, 2014

	Investment Trust	Private Purpose Trust	Agency
Assets			
Cash and investments held in County Treasury	$ 595,918,144	$ 228,736	$ 8,022,012
Other bank accounts	-	-	10,109,113
Taxes receivable	-	-	22,507,523
Intergovernmental revenues receivable	-	1,000,000	-
Prepaid expenses	-	-	4,855,919
Due from other funds	-	-	4,855,919
Long-term receivables	-	45,150	30,000
Property held for resale	-	24,068	-
Depreciable, net	-	1,301,702	-
Total assets	595,918,144	2,599,656	50,380,486
Liabilities			
Accounts payable	-	79,025	699,331
Due to other funds	-	-	4,855,919
Deposits from others	-	3,700	-
Unearned revenues	-	82,345	-
Assets held as agency for others	-	108,584	44,825,236
Total liabilities	-	273,654	50,380,486
Net position			
Net position held in trust for investment pool and other governments	595,918,144	2,326,002	-
Total net position	$ 595,918,144	$ 2,326,002	$ -

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

COUNTY OF MONTEREY

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	Investment Trust	Investment Trust
Additions		
Intergovernmental revenue	$ -	$ 4,023,801
Contributions to investment pool	1,798,619,481	-
Interest income	2,886,848	81,340
Other operating revenues	-	18,191
Total additions	1,801,506,329	4,123,332
Deductions		
Distributions from investment pool	1,794,233,187	-
Administrative expenses	-	225,208
Distributions from RDA dissolution	-	13,228,553
Other expenses	-	186,389
Depreciation	-	248,984
Gain/Loss on Sale of Capital Asset	-	6,138,478
Total deductions	1,794,233,187	20,027,612
Change in net position	7,273,142	(15,904,280)
Net position, beginning of year, as restated	588,645,002	18,230,282
Net position, end of year	$ 595,918,144	$ 2,326,002

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

NOTES TO FINANCIAL STATEMENTS

The notes provided in the financial section are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of significant accounting policies for the County, and other necessary disclosure of pertinent matters relating to the financial position of the County. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

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Note 1: Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The County of Monterey (County) was created pursuant to general law as a subdivision of the State of California. It is governed by a five-member elected Board of Supervisors. As required by generally accepted accounting principles, the accompanying financial statements present the County (the primary government) and its component units, entities for which the government is considered to be financially accountable under the criteria set by Government Auditing Standards Board (GASB) Statement No. 14.

Although they are legally separate from the County, the following blended component units are reported as if they were a part of the County because the Monterey County Board of Supervisors also serves as the governing board of each component unit:

- Monterey County Water Resources Agency, including Storm Drain Maintenance District No. 2 and Gonzales Slough Maintenance District – All County Service Areas
- All County Sanitation Districts except Seaside County Sanitation District
- Nacimiento Hydroelectric Operations
- Monterey County Financing Authority
- Monterey County Public Improvements Corporation

Complete financial statements of the Monterey County Financing Authority and Monterey County Public Improvements Corporation can be obtained by contacting the County of Monterey, Auditor-Controller, P.O. Box 390, Salinas, CA 93902.

Monterey County Children and Families Commission (Commission) was established under the provisions of the California Children and Families Act. The Commission is a legally separate entity governed by a board of seven members. Three members are representatives of the County's health care departments, County's social services departments and the Board of Supervisors. The County Board of Supervisors may remove any Commission member at any time. Since the County Board of Supervisors can impose their will on the Commission, the Commission is considered a discretely presented component unit of the County. Separately issued statements may be obtained by contacting the Commission at 1125 Baldwin Street, Salinas, CA 93906.

The Monterey County Board of Supervisors appoints a voting majority of the governing boards of the following entities; however, such entities are excluded from the accompanying financial statements due to the fact that (1) the County is not able to impose its will on the entity and (2) there is not a financial benefit/burden relationship between the County and the entity:

- Monterey County Housing Authority
- Monterey Bay Unified Air Pollution Control District
- All Cemetery Districts
- Carmel Highlands Fire Protection District
- Mid-Carmel Valley Fire Protection District
- Mission Soledad Rural Fire Protection District
- Salinas Rural Fire Protection District
- North County Public Recreation District

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. All internal balances in the statement of net position have been eliminated with the exception of those representing balances between governmental activities and the business-type activities, which are presented as internal balances. 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.

Note 1: Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of activities presents a comparison between program expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for services where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the County's funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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 nonmajor funds.

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

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 general government, public safety and protection, public ways and facilities, health and sanitation, public assistance, education and recreation and cultural services.

The *Behavioral Health Fund* carries out governmental activities of the County that relate to alcohol, drug, and mental health services. The primary source of revenue for this fund is state and federal grants and aid.

The *Community Development Fund* is used for a variety of economic development activities and for planning and technical assistance studies. This fund is also used to account for monies received from the State and Federal Governments and loaned by the County to individuals and businesses to encourage economic growth.

The County reports the following major enterprise fund:

The *Natividad Medical Center* (NMC) accounts for hospital operations involved in providing health services to County residents. Revenues are principally fees for patient services, payments from federal and state programs such as Medicare, Medi-Cal and Short Doyle, realignment revenues and subsidies from the General Fund. For more detailed information on NMC, refer to the Natividad Medical Center audit report.

The County reports the following additional fund types:

Internal Service Funds account for the County's self-insurance programs including workers' compensation, general liability insurance, and other employee benefit plans that include vision, dental, long term disability, and other miscellaneous employee benefits.

Note 1: Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 and other special districts governed by local boards, regional boards and authorities. 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.

The Private Purpose Trust Fund accounts for the former redevelopment obligation retirement activities.

C. Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus and report only assets and liabilities. However, agency funds use the accrual basis of accounting when recognizing receivables and payables.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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 taxes 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 ("susceptible to accrual"). The County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. Cash and Investments

The County follows the practice of pooling cash and investments of all funds with the County Treasurer, except for certain restricted funds which are generally held by outside custodians and classified as "Cash and investments with fiscal agents" on the accompanying financial statements. Interest earned on pooled investments is allocated to the funds entitled to receive interest based on the average daily cash balance of each fund for the quarter in which the interest was earned.

For purposes of the Statement of Cash Flows, the proprietary fund types consider all highly liquid investments with a maturity date of three months or less at the time of purchase to be cash equivalents. Proprietary fund types deposits with the County Treasurer are demand-type deposits and are therefore considered to be cash equivalents.

Investment in the Treasurer's Pool

Statutes authorize the County to invest its surplus cash in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds rated P-1 by Standard & Poor's Corporation or A-1 by Moody's Investor Service, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Gains and losses are recognized upon sale based upon the specific identification method. Investments in nonparticipating interest-earning investment contracts (guaranteed investment contracts) are reported at cost, commercial paper which have maturities of less than 60 days and investments in external pools are reported at amortized cost and all other investments are reported at fair value. The fair values of investments are obtained by using quotations obtained from independent published sources.

Note 1: Summary of Significant Accounting Policies (continued)

D. Cash and Investments (continued)

The fair value of participants' position in the County's investment pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage at the date of such withdrawal.

E. Inventories and Prepaid Items

Inventories are stated at cost (first-in, first-out basis) for governmental funds and lower of cost (first-in, first-out basis) or market for proprietary funds. Inventory recorded by governmental funds includes postage and materials, fleet vehicles and parts and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Similarly, the consumption method is used for prepaid items where certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements. Reported inventories and prepaid items of governmental funds are equally offset by a corresponding nonspendable portion of fund balance to indicate that they are not expendable available financial resources.

Inventory recorded in the proprietary funds mainly consists of maintenance supplies as well as pharmaceutical supplies maintained by NMC. Inventory is expensed as the supplies are consumed.

F. Property Taxes

Property taxes attach as an enforceable lien on secured and unsecured property as of January 1, and are levied as of July 1. Secured property taxes are due in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1 and become delinquent, if unpaid, on August 31. The County bills and collects its own property taxes and also collects such taxes for cities, schools, and special districts.

G. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, lighting system, drainage system, dams and water systems. The County defines capital assets as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. For infrastructure and buildings, the capitalization threshold is $100,000. 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 proprietary funds.

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	15 to 50 years
Structures and improvements	40 to 50 years
Equipment	3 to 25 years

The County has four networks of infrastructure assets – roads, lighting, drainage system, dams and water system.

H. Compensated Absences (Accrued Vacation, Paid-Time-Off, Sick Leave, and Compensatory Time)

Vacation and Paid-Time-Off

Note 1: Summary of Significant Accounting Policies (continued)

H. Compensated Absences (Accrued Vacation, Paid-Time-Off, Sick Leave, and Compensatory Time) (continued)

Unused vacation and paid-time-off (PTO) leaves may be accumulated up to a specified maximum cap based on an employee's bargaining unit or management group.

Vacation and PTO leaves are paid to the employee at the time of separation from County employment. Some County employees have an option to buy back up to 80 hours of vacation or PTO leave.

The current portion of the liability for vacation and PTO leaves is based on an estimated percentage of employees that will separate from County employment in the next fiscal year (turnover rate), applied to the total liability for vacation and PTO leaves.

Sick Leave

Sick Leave can be accumulated indefinitely. Upon retirement or death, unused sick leave is paid up to 500 hours or 750 hours if an employee opts to exchange time to pay for health benefits. All unused sick leave above the 500-750 hours or any unused sick leave for employees separated from the County for other reasons is forfeited.

Compensatory Time

Compensatory time-off can be accrued in lieu of overtime payments. An employee can accumulate compensatory time-off up to 240 hours or 480 hours for public safety and seasonal workers. The compensatory time-off balances are expected to be used within the next fiscal year. All compensatory time-off balances are considered current year liabilities.

The County includes its share of Social Security and Medicare taxes payable on behalf of the employees in the accrual for compensated absences.

I. Bond Issuance Costs and Premium Discounts

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bond issuance costs are reported as expenses in the period incurred. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from advance refundings are deferred and amortized as interest expense over the life of the new refunding debt.

In the fund financial statements, governmental fund types recognize bond premiums and discount, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Interfund Transactions

Interfund transactions are reflected as either loans, services provided/(received), 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 interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund 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 corresponding nonspendable portion of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Services provided/(received), 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 interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Note 1: Summary of Significant Accounting Policies (continued)

K. Estimates

The preparation of 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.

L. Budget Process

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 the majority of the Governmental Funds. Expenditures are controlled at the appropriation unit level for the County. Appropriation unit level expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between departments or funds are authorized by the County Administrator's office and must be approved by the Board of Supervisors. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year by resolutions approved by the Board of Supervisors.

The Actual Amounts reported in the budgetary statements and schedules matches to the basis used to present the basic financial statements in accordance with generally accepted accounting principles (GGAP).

M. Net Position

The government-wide and business-type activities financial statements utilize a net position presentation. Net position represent the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and are displayed in three components:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category represents net position that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the County, not restricted for any project or other purpose.

When both restricted and unrestricted net position is available, restricted resources are used first, then unrestricted resources as they are needed.

N. Fund Balance

Beginning with the fiscal year 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – This category represents amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.

Note 1: Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

Restricted fund balance – This category represents amounts with constraints placed on their use by those external to the County, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category represents amounts that can only be used for specific purposes determined by formal action (ordinance) of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action (ordinance) that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – This category represents amounts that are constrained by the County's intent to be used for specific purposes as determined by the Board of Supervisors via resolution or budget adoption process.

Unassigned fund balance – This category represents the residual classification that includes amounts not contained in the other classifications.

The County's board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, followed by the unrestricted resources that are committed, assigned and unassigned, in this order as they are needed.

Fund Balance Policy

The County's goal is to use unrestricted fund balance as a source to finance one-time investments, reserves and/or commitments. Committed, assigned and unassigned fund balances are considered unrestricted. The County's general financial guidelines permit the County's Board of Supervisors to use unbudgeted unassigned fund balance in the following manner as recommended by the County Administrative Officer:

1. A capital project fund
2. Productivity investment assignment
3. Strategic reserve equal to 10 percent of current general fund revenues
4. One-time investments or assignments

Strategic Reserve Policy

The County has established a strategic reserve reported as a separate committed fund balance constraint. The target funding level is equal to ten percent of the total general fund final budgeted estimated revenues. Funding for the strategic reserve is appropriated annually by the Board of Supervisors as part of the budget approval

The purpose of the County's general fund strategic reserve is to:

1. Fund settlement of legal judgments against the County in excess of reserves normally designated for litigation.
2. Cover short-term revenue reductions due to economic downturns, for natural disasters as determined by the County Administrative Officer or the Board of Supervisors, and for one-term only State budget reductions that could not be addressed through the annual appropriations for contingencies in the general fund.

The County has also established a strategic reserve reported as a separate committed fund balance constraint as the Natividad Medical Center Strategic Reserve. The Natividad Medical Center Strategic Reserve is funded with unrestricted NMC net position and can be used only for Natividad Medical Center purposes, as determined by the County's Board of Supervisors based on recommendations of the NMC Board of Trustees.

Note 2: Cash and Investments

Cash and investments for most County activities are included in an investment pool. The investment 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 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.

As of June 30, 2014, the County's cash, deposits and investments were as follows:

	Pooled	With Fiscal Agents	Other	Total
Imprest cash and cash on hand	$ 72,267	$ -	$ 26,127	$ 98,394
Deposits with financial institutions	7,633,350	2,882,125	13,593,226	24,108,701
Outstanding warrants and wires	(18,308,806)	-	-	(18,308,806)
Investments	988,628,504	15,118,867	-	1,003,747,371
Totals	$978,025,315	$ 18,000,992	$ 13,619,353	$1,009,645,660

Total cash and investments at June 30, 2014, were presented on the County's financial statements as follows:

Primary government	$ 378,532,497
Investment trust fund	595,918,144
Agency funds	18,131,125
Private purpose trust fund	228,736
Discretely presented component unit	16,835,158
Total cash and investments	$1,009,645,660

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, wherever is 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	5 years	None	5%
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	5%
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	5%
Commercial paper	270 days	40%	5%
Negotiable CDs/CD placement service	5 years	30%	5%
Repurchase agreements	1 year	20%	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	5%
Mutual/money market funds	N/A	20%	5%
Collateralized bank deposits	5 years	None	5%
Mortgage pass-through securities	5 years	20%	5%
Time deposits	2 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None*	None

* The investment policy limits the pool's investments in LAIF to $50,000,000 per account, regardless of the percentage this represents.

Note 2: Cash and Investments (continued)

At June 30, 2014, the County had the following investments:

	Interest Rates	Maturities	Par	Carrying Value	Fair Value	WAM (Years)
Investments in investment pool						
Federal agency obligations	0. 73% - 5.00%	7/15/2014 - 3/8/2019	530,000,000	$ 532,096,366	$ 529,703,700	2.15
U.S. treasury obligations	0.75% - 0.625%	8/15/2014 - 8/15/2016	70,000,000	70,011,245	70,043,300	0.47
Medium term notes	1.00% - 2.30%	2/17/2015 - 4/27/2017	30,000,000	30,128,850	30,556,250	1.85
Negotiable CDs	0.333%	6/25/2015	10,000,000	10,000,000	10,005,000	0.99
Commercial paper	0.220%	2/25/2015	10,000,000	9,983,622	9,981,850	0.66
Money market mutual funds	Variable	On Demand	221,729,793	221,729,794	221,729,793	-
California asset management program	Variable	On Demand	64,678,627	64,678,627	64,678,627	-
California Local Agency Investment Fund	Variable	On Demand	50,000,000	50,000,000	50,000,000	-
Total investment pool excluding defaulted securities			$986,408,420	$ 988,628,504	$ 986,698,520	-
Weighted average maturity for pool			-	-	-	1.26
Default securities						
Lehman Brothers medium-term notes	N/A	In Default	$ 10,000,000	$ -	$ -	-
Total investment pool			$996,408,420	$ 988,628,504	$ 986,698,520	
Investments outside investment pool						
Cash held with fiscal agent						
Money market mutual funds	Variable	On Demand	$ 2,702,450	$ 2,702,450	$ 2,702,450	
Investment contract	4.851% - 5.171%	7/29/2037 - 9/1/2038	12,416,417	12,416,417	12,416,417	
Total outside investment pool			$ 15,118,867	$ 15,118,867	$ 15,118,867	

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County limits its exposure to interest rate risk inherent in its portfolio by managing the investment maturities, the weighted average maturity of its portfolio, as well as limiting the weighted average maturity to two years or less.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The adopted investment policy contains specific limitations on investments by credit quality, maturity length and the maximum allocation by asset class. In all instances, the adopted investment policy is equal to or more restrictive than applicable codified statutes.

Commercial paper obligations must be rated a minimum of F1 by Fitch, P1 by Moody’s or A1 by Standard & Poor’s. Corporate bonds must be rated A or better by one of these three rating agencies. In addition, total exposure of all asset classes to any single issuer shall not exceed 5% of the 12-month projected minimum size of the portfolio, other than securities issued by the U.S. Government, its agencies and sponsored enterprises.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool’s fair value at June 30, 2014.

Note 2: Cash and Investments (continued)

	Moody's	Standard & Poor's	% of Portfolio
U.S. treasury obligations	Not rated	Not rated	7.08 %
Federal agency obligations	AAA	AAA	53.82 %
Commercial paper	P-1	A-1+	1.01 %
Negotiable CDs	Aa	A-1+	1.01 %
Medium-term notes	Aa	AA	1.03 %
Medium-term notes	A	AA	2.02 %
Money market mutual funds	Not rated	Not rated	22.43 %
California asset management fund	AAA	Not rated	6.54 %
California local agency investment fund	Not rated	Not rated	5.06 %
Total			100.00 %

As of the year ended June 30, 2014, the following Federal Agency Obligations, individually, were more than 5% of the County's pooled investments.

Issuer	Fair Market Value
Federal Home Loan Bank	$ 190,482,100
Federal Home Loan Mortgage Corporation	139,753,600
Federal National Mortgage Association	159,178,100

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the invested securities that are in the possession of an outside party. The County's investment policy requires the use of a safekeeping agent to mitigate custodial risk. Securities are invested on a "Delivery vs. Payment" basis using the custodian agent. In no case does the County engage in securities purchases that are held in broker or dealer accounts. At June 30, 2014, the County's investment pool had no securities exposed to custodial risk.

Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the state in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government 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 Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2014, the County's investment position in LAIF was $50 million, which approximates fair value and is the same as the value of the pool shares which is determined on an amortized cost basis. The total amount invested by all public agencies in PMIA on that day was $64.8 billion. Of that amount, 1.86% was invested in structured notes and asset-backed securities with the remaining 98.14% invested in other non-derivative financial products.

Note 2: Cash and Investments (continued)

Investment Trust of California Joint Powers Authority Pool

The County Treasurer's Pool maintains an investment in the Investment Trust of California Joint Powers Authority Pool (CalTRUST). CalTRUST is not registered with the Securities and Exchange Commission as an investment company, but is overseen by a Board of Trustees composed of officials of the public agencies that participate in CalTRUST. The fair value of the County's position in the pool is approximately the same as the value of the pool shares.

California Asset Management Program Joint Powers Authority Pool

The County Treasurer's Pool maintains an investment in the California Asset Management Program Joint Powers Authority Pool (CAMP). CAMP is not registered with the Securities and Exchange Commission as an investment company, but is overseen by a Board of Trustees composed of officials of the public agencies that participate in CAMP. CAMP's investments are limited to those permitted by Government Code Section 53601. The fair value of the County's position in the pool is approximately the same as the value of the pool shares.

County Investment Pool Condensed Financial Statements

The following represents a condensed statement of net position and changes in net position for the Treasurer's investment pool as of June 30, 2014:

Statement of net position	
Net position for pool participants	$ 978,025,315
Equity of internal pool participants	$ 365,956,927
Equity of external pool participants	612,068,388
Total net position	$ 978,025,315
Statement of changes in net position	
Net investment earnings	$ 4,895,199
Investment expenses	(845,655)
Net contribution from pool participants	(23,404,801)
Change in net position	(19,355,257)
Net position at July 1, 2013	997,380,572
Net position at June 30, 2014	$ 978,025,315

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2014, to support the value of shares in the pool.

Note 3: Interfund Transactions

The composition of interfund balances as of June 30, 2014, is as follows:

Due to/from other Funds

Amounts due to and from other funds are to assist the Parks Lake & Resort Operations with cash flow lags and to repay the General Liability fund for capital assets obtained as part of the Lakes Settlement in fiscal year 2008.

Note 3: Interfund Transactions (continued)

Receivable fund	Payable fund	Amount
Other governmental funds	Other governmental funds	$ 202,649
		202,649
Internal service funds	Other enterprise fund	441,872
		441,872
	Total	$ 644,521

Advances To/From other Funds

The interfund advances include the long term portion of the Parks & Lake Resort Enterprise fund's repayment agreement to General Liability fund for the assets obtained in the Lakes Settlement in fiscal year 2007-08.

Receivable fund	Payable fund	Amount
Internal service funds	Other enterprise fund	$ 5,146,181
	Total	$ 5,146,181

Transfers

Transfers are indicative of funding for capital projects, debt service, subsidies of various County operations, and re-allocations of special revenues. Transfers between funds for the year ended June 30, 2014, were as follows:

Transfer from	Transfer to	Amount
General fund	Behavioral Health	$ 794,685
	Other governmental funds	28,138,880
	Other enterprise fund	4,051,240
	Internal service funds	1,336,439
		34,321,244
Other governmental funds	General fund	70,059,684
	Behavioral Health	1,032,421
	Other governmental funds	11,070,931
		82,163,036
Natividad Medical Center	General fund	2,596,985
	Behavioral Health	591,877
		3,188,862
	Total	$119,673,142

Note 4: Receivables

Receivables as of June 30, 2014, for the County's individual major, nonmajor, internal service, and enterprise funds are as follows:

Governmental funds:

	General	Behavioral Health	Community Development	Other Governmental	Total Governmental Funds
Receivables:					
Accounts - net	$ 18,144,225	$ 49,180	$ 6,659	$ 1,691,827	$ 19,891,891
Taxes receivable	3,439,477	-	-	732,300	4,171,777
Due from other agencies	29,797,356	13,146,927	239,314	10,378,066	53,561,663
Interest	-	-	1,320,857	859,113	2,179,970
Totals	$ 51,381,058	$ 13,196,107	$ 1,566,830	$ 13,661,306	$ 79,805,301

Proprietary funds:

	Natividad Medical Center	Parks Lake & Resort Operations	Total Enterprise Funds	Internal Service
Receivables:				
Accounts - net	$ 21,423,628	$ 152,472	$ 21,576,100	$ 1,101,506
Due from other agencies	8,768,685	-	8,768,685	-
Totals	$ 30,192,313	$ 152,472	$ 30,344,785	$ 1,101,506

At June 30, 2014, accounts receivable reported by Natividad Medical Center were reduced by allowances for doubtful accounts and contractual adjustments as follows:

Allowance for doubtful accounts	$ 13,858,438
Allowance for contractual adjustments	78,805,359
Totals	$ 92,663,797

Governmental funds report unavailable revenue in connection with receivables for revenues considered unavailable to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2014, the various components of unavailable revenue and unearned revenue in the governmental funds were as follows:

	Unavailable	Unearned	Total
Notes receivable & accrued interest issued from grants on a revolving basis	$ 25,182,655	$ -	$ 25,182,655
Grant advances prior to meeting all eligibility requirements	-	18,559,889	18,559,889
Receivables collected after the period of availability	21,373,549	-	21,373,549
Totals	$ 46,556,204	$ 18,559,889	$ 65,116,093

Notes receivable balances of $23,002,686 and accrued interest on these notes of $2,179,969 are not expected to be collected within the next fiscal year.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 179,494,200	$ 731,610	$ -	$ 180,225,810
Construction in progress	47,318,804	16,451,995	(35,642,707)	28,128,092
Total capital assets, not being depreciated	226,813,004	17,183,605	(35,642,707)	208,353,902
Capital assets, being depreciated:				
Infrastructure	581,746,839	19,251,005	-	600,997,844
Structures and improvements	236,693,584	12,127,540	-	248,821,124
Equipment	102,883,630	10,442,895	(850,530)	112,475,995
Intangible assets	3,230,716	70,145	-	3,300,861
Total capital assets, being depreciated	924,554,769	41,891,585	(850,530)	965,595,824
Less accumulated depreciation for:				
Infrastructure	(333,392,884)	(14,128,166)	-	(347,521,050)
Structures and improvements	(76,827,920)	(11,865,172)	-	(88,693,092)
Equipment	(82,192,180)	(7,770,795)	467,633	(89,495,342)
Intangible assets	(2,043,766)	(323,346)	-	(2,367,112)
Total accumulated depreciation	(494,456,750)	(34,087,479)	467,633	(528,076,596)
Total capital assets, being depreciated, net	430,098,019	7,804,106	(382,897)	437,519,228
Governmental activities capital assets, net	$ 656,911,023	$ 24,987,711	$ (36,025,604)	$ 645,873,130

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities				
Capital assets, not being depreciated:				
Construction in progress	$ 6,854,637	$ 12,312,898	$ (5,229,579)	$ 13,937,956
Total capital assets, not being depreciated	6,854,637	12,312,898	(5,229,579)	13,937,956
Capital assets, being depreciated:				
Structures and improvements	162,317,197	193,882	-	162,511,079
Equipment	74,551,291	10,678,577	(2,239)	85,227,629
Total capital assets, being depreciated	236,868,488	10,872,459	(2,239)	247,738,708
Less accumulated depreciation for:				
Structures and improvements	(70,520,795)	(4,442,227)	-	(74,963,022)
Equipment	(51,438,302)	(6,670,289)	25,320	(58,083,271)
Total accumulated dpreciation	(121,959,097)	(11,112,516)	25,320	(133,046,293)
Total capital assets, being depreciated, net	114,909,391	(240,057)	23,081	114,692,415
Business-type activities capital assets, net	$ 121,764,028	$ 12,072,841	$ (5,206,498)	$ 128,630,371

Note 5: Capital Assets (continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	$ 14,780,227
Public safety and protection	4,367,821
Public ways and facilities	12,498,577
Health and sanitation	1,343,645
Public assistance	495,349
Education	67,215
Recreation and cultural services	534,646
Total depreciation expense - Governmental functions	$ 34,087,479

Depreciation expense was charged to the business-type activities as follows:

Natividad Medical Center	$ 10,251,939
Parks Lake and Resort Operations	860,577
Total deprecation expense - Business-type activities	$ 11,112,516

Note 6: Leases

Operating Leases

The County has commitments under long-term and personal property operating lease agreements. During the fiscal year ended June 30, 2014, the County paid rents on these leases of $6,003,745. Future minimum lease payments are as follows:

	Governmental Activities	Business-Type Activities
Year Ended June 30:		
2015	$ 5,815,528	$ 99,122
2016	4,719,190	3,552
2017	4,157,984	296
2018	3,924,248	-
2019	2,793,493	-
2020-2024	11,973,841	-
2025-2027	7,019,748	-
Total minimum lease payments	$ 40,404,032	$ 102,970

However, the County believes that it would be able to terminate the leases early, should the need arise, based on California case City of Los Angeles v. Offner, 19 Cal.2d 483 dated February 13, 1942.

Operating Leases - Natividad Medical Center

As of June 30, 2014, the Center does not expect to receive a minimum rental income from operating leases for vacant office spaces located on its campus as these are cancellable at any time. Total rental income under operating lease agreements during the year ended June 30, 2014 was $1,129,923.

Note 6: <u>Leases (continued)</u>

Capital Leases

The County leases equipment and software under certain lease obligations accounted for as capital leases. Included in the governmental and business-type activities are the following capital asset amounts under capital leases:

	Governmental Activities
Equipment	$ 304,259
Less: Accumulated depreciation	(97,324)
Totals	$ 206,935

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, 2014:

	Governmental Activities
Year Ended June 30:	
2015	$ 32,271
2016	20,620
2017	18,898
2018	11,443
Totals	83,232
Less: Amount representing interest	(6,988)
Present value of future minimum lease payments	$ 76,244

Note 7: <u>Deferred Outflow of Resources</u>

Unamortized refunding loss was reported in Note 7 (now Note 8), Summary of Long-Term Liabilities for Governmental and Business-Type Activities for fiscal years ending June 30, 2013, and prior. GASB 65 is required to be implemented in the CAFR for the fiscal year ending June 30, 2014, and treats refunding loss as a deferred outflow of resources (defined as a consumption of net position applicable to a future reporting period) reported on the Statement of Net Position.

The summary of the deferred outflow of resources as reported on the Statement of Net Position for the year ended June 30, 2014, is as follows:

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014
Unamortized Refunding Loss:				
Government Activities	$ 2,345,795	$ -	$ 54,661	$ 2,291,134
Business-Type Activities	4,284,131	-	427,830	3,856,301
Total	$ 6,629,926	$ -	$ 482,491	$ 6,147,435

Note 8: <u>Long-Term Liabilities</u>

Legal Debt Limit

The County's legal debt limit for the year ended June 30, 2014, was $644.3 million. This limit is based on 1.25% of the net assessed valuation of property within the County. The County's outstanding long-term issues payable is approximately $

Note 8: Long-Term Liabilities (continued)

258.0 million, but none is applicable to the debt limit. The County has complied with all significant debt covenants.

Summary of Long-Term Liabilities

	Maturity	Interest Rates	Principal Installments	Date of Issue	Amount Authorized	Outstanding June 30, 2014
Governmental activities						
Certificates of participation						
2007 issue *(defeased the 1993 sheriff facility and the 2001 issue master plan financing issue plus new monies for completion of public health and court related facilities)*	2038	4.0% - 5.0%	$2,785,000 - $6,845,000	2007	$ 144,400,000	$ 117,215,000
NGEN Issue *(finance acquisition, construction and installation of communications system)*	2023	3.95%	$508,887 - $818,645	2010	8,518,628	6,919,432
Judgment obligation bonds *(liquidate litigation liabilities)*	2014	3.0% - 4.0%	$695,000 - $870,000	2004	7,470,000	-
Revenue bonds - Special Districts						
Agencies under Board of Supervisors	2036	5.0%	$16,000 - $37,000	1980-95	56,859,700	752,000
Revenue bonds - Water Resources						
Agencies under Board of Supervisors *(finance Salinas Valley water project)*	2038	4.0% - 5.0%	$550,000 - $ 2,085,000	2008	32,855,000	30,525,000
Notes payable - Parks & Recreation *(acquire recreational properties)*						
San Antonio Lakes Resort	2023	5.0%	33095	2007	4,185,000	2,702,007
Lake Nacimiento Resort	2023	5.0%	89478	2007	11,315,000	7,305,476
Loans payable - Bureau of Reclamation						
Agencies under Board of Supervisors *(infrastructure and facility improvements)*	2037	1.65% - 7.63%	$16,847 - $1,207,699	1995	35,035,790	25,589,537
Special assessment bonds with governmental commitment:						
General County-Chualar Water District *(infrastructure and facility improvements)*	2025	4.25% - 7.2%	$4,000 - $26,000	1984-93	257,000	121,000
					$ 300,896,118	$ 191,129,452
Business-type activities						
Loan payable	2015	2.13% (average)	$237,000 - $263,000	2010	15,000,000	4,668,388
Certificates of Participation *(NMC Improvements)*						
2007 COP Refunding	2029	4% - 5%	$230,000-$575,000	2007	8,280,000	6,420,000
2009 Refunding	2024	2% - 5.25%	$2,175,000 - $4,225,000	2009	43,700,000	34,065,000
2010 Refunding	2027	2% - 4%	$65,000 - $4,920,000	2010	17,845,000	17,645,000
					$ 84,825,000	$ 62,798,388

Note 8: Long-Term Liabilities (continued)

The following is a summary of long-term liabilities transactions for the year ended June 30, 2014:

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities:					
Certificates of participation 2007 issue	$ 121,395,000	$ -	$ 4,180,000	$ 117,215,000	$ 4,375,000
Unamortized premium	1,953,703	-	46,729	1,906,974	-
Certificates of participation NGEN program	7,475,145	-	555,713	6,919,432	577,664
Judgement obligation bonds	870,000	-	870,000	-	-
Unamortized premium	10,881	-	10,881	-	-
Revenue bonds	31,956,000	-	679,000	31,277,000	708,000
Unamortized premium	702,452	-	14,037	688,415	-
Loans payable	37,594,175	-	1,997,155	35,597,020	2,048,167
Special assessment bonds	129,000	-	8,000	121,000	8,000
Capital leases	132,271	-	56,027	76,244	28,887
Compensated absences	30,682,245	9,636,748	7,473,684	32,845,309	7,218,160
Estimated self-insurance liabilities	60,070,800	21,028,826	16,379,571	64,720,055	13,612,210
Estimated landfill postclosure costs	2,082,335	-	178,227	1,904,108	238,227
Total governmental activities	$ 295,054,007	$ 30,665,574	$ 32,449,024	$ 293,270,557	$ 28,814,315
Business-type activities:					
Certificates of participation	$ 61,070,000	$ -	$ 2,940,000	$ 58,130,000	$ 3,075,000
Unamortized premium (discount)	1,500,261	-	148,830	1,351,431	-
Net certificates of participation	62,570,261	-	3,088,830	59,481,431	3,075,000
Loan payable	7,699,046	-	3,030,658	4,668,388	3,095,707
Compensated absences	7,975,415	3,054,474	3,023,838	8,006,051	2,378,178
Total business-type activities	$ 78,244,722	$ 3,054,474	$ 9,143,326	$ 72,155,870	$ 8,548,885

Estimated self-insurance liabilities are liquidated by the internal service funds. Compensated absences are generally liquidated by the General Fund, related special revenue funds and the enterprise funds. Estimated landfill postclosure costs are liquidated from the General Fund.

Payment Requirements for Debt Service

As of June 30, 2014, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending	Bonds Payable		Certificates of Participation		Loans and Notes Payable	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 716,000	$ 1,542,396	$ 4,952,664	$ 5,522,513	$ 2,048,167	$ 1,175,670
2016	751,000	1,508,879	5,155,481	5,309,707	2,101,856	1,096,035
2017	785,000	1,470,399	5,404,200	5,064,001	2,158,365	1,016,581
2018	826,000	1,434,648	5,673,856	4,794,220	2,217,842	934,158
2019	860,000	1,397,016	4,889,486	4,537,590	2,280,447	848,609
2020 - 2024	4,826,000	6,286,303	27,603,745	19,036,869	9,911,869	2,937,712
2025 - 2029	5,814,000	4,954,248	27,520,000	12,867,749	5,545,542	1,827,531
2030 - 2034	7,365,000	3,321,375	30,115,000	6,004,690	5,749,348	1,050,094
2035 - 2039	9,455,000	1,229,375	12,820,000	1,207,575	3,583,584	220,737
	$ 31,398,000	$ 23,144,639	$ 124,134,432	$ 64,344,914	$ 35,597,020	$ 11,107,127

Note 8: Long-Term Liabilities (continued)

As of June 30, 2014, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending	Certificates of Participation		Loan Payable	
June 30	Principal	Interest	Principal	Interest
2015	$ 3,075,000	$ 2,582,599	$ 3,095,707	$ 69,185
2016	3,220,000	2,429,637	1,572,681	9,764
2017	3,390,000	2,266,974	-	-
2018	3,555,000	2,094,849	-	-
2019	3,735,000	1,913,949	-	-
2020 - 2024	21,675,000	6,516,246	-	-
2025 - 2029	19,480,000	1,507,833	-	-
	$ 58,130,000	$ 19,312,087	$ 4,668,388	$ 78,949

Pledged Revenues

The Monterey County Financing Authority has pledged certain specified assessments, all Hydroelectric Facility net revenues, all ad valorem taxes and all annexation fees to secure the payment of principal and interest on the bonds in accordance with the terms and the provisions of the Indenture. The Indenture provides that the pledge shall constitute a first lien on all such assets. Proceeds from the bonds provided financing for the Salinas Valley Water Project – an effort to halt further seawater intrusion, provide flood protection, and create new water supplies for the Salinas Valley. Total principal and interest remaining on the bonds is $53.417,769 payable through June 2038. Principal paid for the current fiscal year was $615,000 and interest paid was $1,522,962. Net pledged revenues for the fiscal year ended June 30, 2014, were $2,137,961.

Note 9: Net Position/Fund Balances

Net Position

Net investment in capital assets was comprised of the following:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	$ 645,873,129	$ 128,630,371
Outstanding principal of capital-related debt	(183,793,601)	(64,149,819)
Unspent debt proceeds	14,627,130	440,727
Net investment in capital assets	$ 476,706,658	$ 64,921,279

Note 9: Net Position/Fund Balances (continued)

Fund Balances

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2014, is as follows:

	General Fund	Behavioral Health	Community Development	Other Governmental Funds	Total
Nonspendable:					
Inventory and prepaid items	$ 251,198	$ -	$ -	$ 238,850	$ 490,048
Restricted for:					
Capital projects	-	-	-	178,215	178,215
Debt service	-	-	-	12,216,457	12,216,457
Health and sanitation	534,301	22,559,902	-	6,437,140	29,531,343
Public assistance	-	-	-	5,257,455	5,257,455
Public protection	-	-	-	9,136,568	9,136,568
Other water resources agencies	-	-	-	1,470,421	1,470,421
Successor agencies	-	-	-	740,213	740,213
Total restricted	534,301	22,559,902	-	35,436,469	58,530,672
Committed for:					
General government	-	-	-	255,355	255,355
Capital projects	-	-	-	375,321	375,321
Health and sanitation	-	3,429,791	-	-	3,429,791
County service areas	-	-	-	743,046	743,046
County service districts	-	-	-	326,115	326,115
Other water resources agencies	-	-	-	1,802,449	1,802,449
Strategic reserve - general fund	46,092,695	-	-	-	46,092,695
Strategic reserve - NMC	14,200,000	-	-	-	14,200,000
Total committed	60,292,695	3,429,791	-	3,502,286	67,224,772
Assigned to:					
Contingency	4,299,366	-	-	-	4,299,366
Capital project	10,844,292	-	-	-	10,844,292
Disaster assistance	1,368,837	-	-	-	1,368,837
Encumbrance	28,503	-	-	-	28,503
Health clinics	1,070,000	-	-	-	1,070,000
Information tech charges mitigation	293,752	-	-	-	293,752
Laguna Seca track	3,363,794	-	-	-	3,363,794
NGEN radio system	3,155,563	-	-	-	3,155,563
Productivity investment program	882,331	-	-	-	882,331
Public safety sales tax revenue	1,376,910	-	-	-	1,376,910
Purpose of fund	-	136,042	1,429,153	56,439,298	58,004,493
Social services	425,243	-	-	-	425,243
Terminations	4,565,020	-	-	-	4,565,020
Vehicle replacement	7,601,717	-	-	-	7,601,717
Total assigned	39,275,328	136,042	1,429,153	56,439,298	97,279,821
Unassigned fund balance	17,551,936	-	-	-	17,551,936
Total fund balances	$ 117,905,458	$ 26,125,735	$ 1,429,153	$ 95,616,903	$ 241,077,249

Note 10: Employee's Retirement Plan and Post Retirement Benefits

Plan Description

The County of Monterey contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local County ordinance. CalPERS issues a separate comprehensive annual financial report which is available to the public. Copies of the CalPERS' annual financial report may be obtained by contacting the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in PERS are required to contribute a percentage of their annual covered salary, which is 7% for miscellaneous employees and 9% for public safety employees. Due to collective bargaining agreement, the County pays the 3.5% of the required member contribution. The County is required to contribute at an actuarially determined rate. For fiscal year 2013-14, the employer rate is 10.926% for miscellaneous members and 28.962% for safety members. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2013-14, the County's required and actual contribution was $41,860,055. Of this amount the annual pension cost to the county was $40,372,728 and $1,487,327 was paid by public safety employees who pay 4.5% of the required contribution.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Safety Plan:		
6/30/2014	$ 14,352,587	100 %
6/30/2013	12,974,125	100 %
6/30/2012	13,371,881	100 %
Miscellaneous Plan:		
6/30/2014	27,507,468	100 %
6/30/2013	25,696,483	100 %
6/30/2012	25,869,754	100 %

The required contribution for fiscal year 2013-14 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.3% to 14.2% depending on age, service and type of employment, and (c) 3% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of plan assets was determined using a technique that smoothes the effect of the short-term volatility in the markert value of investments over a two to five year period depending on the size of investment gains and/or losses. The unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was twenty six years for the miscellaneous group and thirty two years for the public safety group.

Note 10: Employee's Retirement Plan and Post Retirement Benefits (continued)

Funded Status and Funding Progress

The following is the funded status information (in thousands) for each plan as of June 30, 2013, the most recent actuarial valuation date:

	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Annual Covered Payroll	UAAL as a % of Payroll
Miscellaneous	$ 1,311,214	$ 1,052,650	$ 258,564	$ 254,581	101.56 %
Safety	482,245	335,018	147,227	46,697	315.28 %

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Monterey County Water Resources Agency (MCWRA) Plan

Plan Description

The MCWRA plan of the County of Monterey contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local County ordinance. Information on this plan may be obtained by contacting the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in CalPERS are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate of 12.012% of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2013-14, the County's annual pension cost for the MCWRA plan was $388,816, and was equal to the County's required and actual contributions.

Three-Year Trend Information for CalPERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2014	$ 388,816	100 %
6/30/2013	372,958	100 %
6/30/2012	404,624	100 %

Note 10: Employee's Retirement Plan and Post Retirement Benefits (continued)

Funded Status and Funding Progress

The following is the funded status information (in thousands) for WCWRA plan as of June 30, 2013, the most recent actuarial valuation date:

	Accrued Liability (AL)	Share of Pool's Market Value of Assets	Unfunded Acturial Accrued Liability (MVA)	Funded Ratio	Annual Covered Payroll
MCWRA	$ 23,429	$ 18,640	$ 4,789	79.6 %	$ 3,118

Note 11: Other Post Employment Benefits (OPEB)

Plan Description

The County of Monterey Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the County. The Plan provides healthcare insurance benefits to eligible retirees. Benefit provisions are established and may be amended by the County.

The County provides retiree medical benefits through the California Public Employees' Retirement System healthcare program. The County contributes the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum required employer contribution ($119 per month in 2014) towards the retiree monthly premium for eligible retirees participating in PEMHCA.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the County. The County prefunds all or a portion of the plan through the California Employers' Retiree Benefit Trust (CERBT) by contributing up to 100% of the annual required contribution.

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension. The County's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 20 years. The fiscal year 2013-14 ARC is $3,796,000.

For fiscal year 2013-14, the County paid a total of $4,092,000 to the OPEB trust (CERBT). Of this amount, $1,035,000 was paid for healthcare insurance benefits for eligible retirees, and $3,057,000 was paid to fund future retirees' healthcare.

CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT issues a publicly available financial report including GASB 43 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* disclosure information in aggregate with the other CERBT participating employers. That report may be obtained by contacting CalPERS, Executive Office, 400 P Street, Sacramento, CA 95814.

Note 11: Other Post Employment Benefits (OPEB) (continued)

The following are the components of the County's annual OPEB cost for the fiscal year ended June 30, 2014:

Annual Required Contribution (ARC)	$ 3,796,000
Interest on net OPEB obligation - actuarial estimate	492,000
Amortization of net OPEB obligation - actuarial estimate	(697,000)
Annual OPEB cost (expense)	3,591,000
Contributions made	(4,092,000)
Increase (decrease) in net OPEB obligation	(501,000)
Net OPEB obligation, beginning of year	6,779,438
Net OPEB obligation, end of year	$ 6,278,438

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan (as described in the funding policy above), and the net OPEB obligation for fiscal years 2013-14 and the prior two fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 3,591,000	114.0 %	$ 6,278,438
6/30/2013	3,869,000	103.9 %	6,779,438
6/30/2012	3,780,000	112.9 %	6,930,493

General Fund, Road Fund, Library, In-Home Supportive Services, Office of Employment Training, Community Action Partnership, Behavioral Health, Parks Lakes, Water Resources, and NMC funds have been used to liquidate the net other postemployment benefit obligation.

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows (amounts in thousands):

Actuarial accrued liability (AAL)	$ 36,655
Actuarial value of plan assets	11,839
Unfunded actuarial accrued liability (UAAL)	$ 24,816
Funded ratio (actuarial value of plan assets/AAL)	32.30 %
Covered payroll (active Plan members)	$ 298,873
UAAL as a percentage of covered payroll	8.30 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new

Note 11: Other Post Employment Benefits (OPEB) (continued)

estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, and an annual healthcare minimum cost trend rate of 4.5% after 3 years (actual healthcare minimum costs were used for the first 3 years). This rate includes a 3% inflation assumption. The actuarial value of assets is equal to the market value. The UAAL is being amortized as a level percentage of projected payroll over 20 years on a closed basis. The remaining amortization period at June 30, 2014 was 14 years.

Note 12: Joint Powers Agreement

Natividad Medical Center (NMC) is a member of and participates in a professional liability self-insurance program (Program) through BETA Healthcare Group (BETA), joint powers authority formed pursuant to the government code of the State of California. BETA members are city, county, district, and private not-for-profit hospitals and healthcare facilities in California. Amounts paid by each member to BETA represent actuarially determined assessments of claims payable and estimated incurred but not reported claims that are adjusted periodically based on the claims experience for each member at each hospital. Claims in excess of specified amounts are the responsibility of individual program participants.

After a deductible, BETA provides payment in full for healthcare liability claims subject to limits established at $30 million in the aggregate for the entity, with professional liability coverage for medical providers subject to $1 million per claim and $3 million aggregate limits. Also, after a $25,000 deductible, BETA provides payment on covered directors, officers and trustee liability claims up to $10 million per occurrence and in the aggregate. The Center's contribution to the Program was approximately $314,484 in 2014.

Condensed financial information of the Program for the calendar year ended December 31, 2013, (audited by Larson & Rosenberger LLP) is as follows:

Cash and investments	$ 415,693,298
Other assets	32,221,604
Total assets	$ 447,914,902
Loss reserves	$ 168,435,874
Other liabilities	62,196,423
Fund balance	217,282,605
Total liabilities and fund balance	$ 447,914,902
Total revenues	$ 71,673,776
Total expenses	(46,871,126)
Revenue in excess of expenses before member surplus funds contributed, change in net unrealized gains on investments, and member dividends	$ 24,802,650

Note 12: Joint Powers Agreement (continued)

Financial statements for the Program can be obtained from Beta Healthcare Group, 1443 Danville Blvd., Suite 200, Alamo, CA 94507-1973.

In January 1997, the County entered into a Joint Powers Agreement with the City of Salinas, the City of Gonzales, the City of Greenfield, the City of King, and the City of Soledad creating the Salinas Valley Waste Authority (Authority). The purpose of the Authority, established by the Joint Powers Agreement, is to undertake and perform: solid waste planning and program management, including collection services and siting; and the transfer and disposal of solid waste generated within each of the parties' jurisdictional boundaries. The Authority administers the agreement pursuant to the joint powers provision of the Government Code of the State of California.

Financial statements for the Authority can be obtained from Salinas Valley Solid Waste Authority, 128 Sun St, Ste. 101, Salinas, CA 93901.

Condensed financial information of the Authority for the fiscal year ended June 30, 2014 is as follows:

Current assets	$ 16,214,511
Other assets	2,778,031
Capital assets, net	27,357,419
Total assets	$ 46,349,961
Closure liability	$ 2,627,000
Other liabilities	54,463,451
Total liabilities	$ (57,090,451)
Deferred inflows of resources	502,174
Net position (deficit)	$ (11,242,664)
Total operating revenues	$ 18,244,947
Total operating expenses	(14,658,377)
Other revenues and expenses	(3,244,135)
Change in Net Position	$ 342,435

Note 13: Landfill Closure and Post Closure Costs

State and federal laws and regulations require the County to place a final cover on all landfill sites when closed and, for thirty years after, perform mandated maintenance and monitoring functions at those sites. All County owned landfills are closed, thus only the liability for future maintenance and monitoring activities is shown on the statement of net position. The estimated liability and total costs for the landfill sites are shown below:

Note 13: Landfill Closure and Post Closure Costs (continued)

Landfill Site	Post Closure Activities	Groundwater Monitoring	Post Closure Liability
Bradley	$ 127,718	$ 208,976	$ 336,694
San Ardo II	127,718	208,976	336,694
Lake San Antonio North Shore	127,718	208,976	336,694
Lake San Antonio South Shore	127,718	-	127,718
San Ardo I	127,718	-	127,718
Parkfield I	127,718	-	127,718
Parkfield II	127,718	-	127,718
Chualar	127,718	-	127,718
Arroyo Seco / Greenfield	127,718	-	127,718
Lockwood	127,718	-	127,718
Totals	$ 1,277,180	$ 626,928	1,904,108
Landfill costs as of June 30, 2014			11,862,609
Total estimated costs to June 30, 2023			$ 13,766,717

Post closure activities are comprised of costs which are estimated equally per site for the nine remaining years. The liability and total costs are estimated annually based on the premise that all equipment, facilities and services required to monitor and maintain the landfill sites were acquired as of June 30, 2014. Actual total costs may be higher due to future changes in technology or landfill laws and regulations.

The County is required by state and federal laws and regulations to provide annual funding to finance future post closure care costs. The County is in compliance with these regulations, establishing appropriations for these activities, based on the annual estimated liability, in each year's annual budget.

Note 14: Commitments and Contingencies

In prior years, the Monterey County Water Resources Agency (MCWRA), a blended component unit of Monterey County, entered into an agreement with the Monterey County Water Pollution Control Agency (MCWPCA) to provide tertiary treated water. The MCWPCA built the tertiary water treatment plant and the MCWRA built the distribution pipelines from the plant to the users. Both projects were financed by loans between each agency and the Bureau of Reclamation and/or State Water Resources Control Board. A special assessment was established and is collected by the MCWRA. Based on the agreement between the MCWRA and the MCWPCA, the financing and operating expenses incurred by the MCWPCA on this project are paid by this special assessment on an advance basis from the MCWRA. The loans entered into directly between the MCWPCA and the lenders are not included in the County's financial statements.

As of June 30, 2014, the outstanding loan balances of the MCWPCA related to the above project are as follows:

Loan from the Bureau of Reclamation	$ 14,694,227
Loan from the State Water Resources Control Board	$ 2,343,342

Litigation

There are several lawsuits pending in which the County is involved. Some of the lawsuits have been filed solely against the County, while in others, the County is one of a group of defendants. County Counsel has indicated that the potential uninsured claims against the County resulting from such litigation would not materially affect the financial statements of the County.

Note 14: Commitments and Contingencies (continued)

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings, and at June 30, 2014 does not expect to incur a significant liability.

Grant Entitlement

The County is a participant in a number of federal and state assisted programs. These programs are subject to compliance audits by the grantors. The audits of these programs for the fiscal year ended June 30, 2014 and certain earlier years have not been completed. Accordingly, the County's compliance with applicable program requirements is not completely established. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. Management believes it has adequately provided for potential liabilities, if any, which may arise from the grantor's audits.

Construction Commitments

At June 30, 2014, the County had ongoing construction commitments that totaled approximately $18.7 million.

Hospital Regulatory Environment

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. NMC is subject to routine surveys and reviews by federal, state and local regulatory authorities. NMC has also received inquiries from healthcare regulatory authorizes regarding its compliance with laws and regulations. Although NMC management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and on-going surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and non-compliance with survey correction action requests could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Healthcare Reform

In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. NMC is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations and/or interpretive guidance. However, NMC expects that several provisions of the Health Care Reform Legislation will have a material effect on its business.

Note 15: <u>Natividad Medical Center - Net Patient Service Revenue</u>

Net patient service revenue is comprised of the following for the year ended June 30, 2014:

Revenue at established rates	$ 780,173,737
Medicare contractual allowance	(131,756,280)
Medi-Cal contractual allowance	(360,979,049)
Allowances for other payors and indigent accounts	(119,958,477)
Provision for bad debts	(34,300,104)
Net patient service revenue before additional funding	133,179,827
California's Medi-Cal hospital waiver	31,697,479
Managed care supplemental funding	12,557,280
Senate Bill 1732	3,000,000
Additional funding	47,254,759
Net patient service revenue	$ 180,434,586

The Natividad Medical Center ("Center") has agreements with third-party payors to provide for payments to the Center at amounts different from its established rates. A summary of the basis of the payment arrangements with major third-party payors follows:

<u>Medicare</u> - Inpatient acute care services rendered to Medicare program beneficiaries are paid at predetermined prospective rates per discharge. These rates vary according to the diagnostic related group that the patient's condition is classified under. Services other than inpatient acute care are paid based on a reimbursement methodology specific to the type of service, which generally entails reimbursement rates at the lower of costs, charges, or a published limit. The Center is reimbursed at a tentative rate during the year that is later subject to final settlement after submission and audit of an annual cost report.

<u>Medi-Cal</u> - Inpatient acute care services rendered to Medi-Cal program beneficiaries are reimbursed based on a per diem rate. Outpatient hospital services are reimbursed based on a published fee schedule. The Center is reimbursed at a per diem rate during the year.

<u>Short Doyle</u> - Inpatient acute care services rendered to County mental health patients under the Short Doyle program are reimbursed based on a per diem rate specified in an agreement between the Center and the Monterey County Health Department.

<u>Other Third Party Payors</u> - The Center contracts with numerous employers, other county departments, and health plans to provide health care services to their beneficiaries. Reimbursement varies by contract and can be based on a combination of per diem, fee schedule, or percent of charges payment rates.

During the year ended June 30, 2014, patients for which reimbursement was calculated under the third-party payor programs comprised approximately 100% of the Center's gross patient services revenues, as follows:

Other third parties	20.5 %
Medi-Cal	52.1 %
Medicare	24.3 %
Short Doyle	3.1 %
Total	100.0 %

Note 15: Natividad Medical Center - Net Patient Service Revenue (continued)

California's Medi-Cal Hospital Waiver

In 2005, California enacted Senate Bill 1100 ("SB 1100") to implement a federal Medicaid hospital financing waiver ("waiver") that governs fee-for-service inpatient hospital payments for its public hospitals, which include the Center. SB 1100 is designed to protect baseline Medicaid funding for the Center from 2006 through 2010 – at a minimum participants will receive the Medicaid inpatient hospital payments they received in 2005 adjusted for yearly changes in costs. SB 1100 also allows the Center to receive additional waiver growth funding subject to the availability of funds. Payments to the Center under SB 1100 include a combination of Medi-Cal inpatient FFS payments, Medi-Cal Disproportionate Share (DSH) payments and Safety Net Care Pool (SNCP) payments. The federal economic stimulus package enacted in 2009, which increases California's federal DSH allotment and the federal matching rate for FFS payments, increases the net payment amounts under the waiver to the Center for the period October 2008 through December 2010.

The current waiver expired in August 2010 and a second five-year Section 1115 Medicaid waiver agreement was signed on November 2, 2010, and is effective from Novemeber 1, 2010 to October 31, 2015. The new waiver is titled "California Bridge to Reform Demonstration" and will expand coverage and the safety net, promote public hospital delivery system improvements, and improve care coordination. The new waiver model offers federal funds for public hospitals that will require the expansion of coverage to low income people and transform care so that it is more coordinated, efficient and patient-centered. The federal payments will not be automatic and are tied to core performance measures and targets. Although the federal inpatient hospital financing waiver and the new section 1115 are designed to ensure a predictable Medicaid funding level and provide growth funding, the full financial impact of these changes in the future cannot be determined. While the new waiver is effective through October 31, 2015, there exists an uncertainty surrounding the continued receipt of waiver payments through the date.

In total, the Center estimated waiver payments of approximately $21 million for the year ended June 30, 2014, of which approximately $440,000 was still receivable at June 30, 2014, and was recognized as part of due from other agencies in the accompanying balance sheets.

In addition to the waiver, the Center received Delivery System Reform Incentive Payments ("DSRIP") payments. Public hospitals may receive DSRIP funds to improve the quality of care they provide and the health of the population they serve. DSRIP funds can be used for infrastructure development, innovation and redesign, population-focused improvement, and urgent improvement in care. The Center received $9.9 million for the year ended June 30, 2014, as part of California's Medi-Cal hospital waiver payments. These funds are reported as other operating revenue, as they are considered reimbursement of costs for specific qualifying expenditures that must be approved by Department of Health Care Services ("DHCS"), rather than direct patient care.

The Center participates in the Medi-Cal Redesign Waiver Demonstration Program with the California Medical Assistance Commission.

Managed Care Supplemental Fundin*g*

The Center is a State-Designated Disproportionate Share Hospital and, through its mission and population served, is eligible to participate in state/federal Medicaid revenue enhancement waivers. Pursuant to Section 14164 of the Welfare and Institutions Code, the County may transfer to the Department of Health Care Services (DHCS) up to a maximum total amount of $3.5 million to be used as the non-federal share of Medi-Cal managed care capitation rate increased for the Organized Health System (OHS) administered by Central California Alliance for Health for the period of June 1, 2011 through July 31, 2012. This mechanism, known as IGT, will allow DHCS to use these funds for draw down enhanced federal financial participation in the funding of the Medi-Cal program. The gross payment, less the IGT returned to the County and taxes paid by the OHS to the State, will be available to the Center as a rate supplement.

Note 15: Natividad Medical Center - Net Patient Service Revenue (continued)

Hospital fee – The Center is also eligible for the California Hospital Fee Program (the "Program"), which, in November 2009, was signed into California state law. The program establishes a series of Medicaid supplemental payments funded through a "Quality Assurance Fee" and a "Hospital Fee Program," which are imposed on certain California hospitals. The effective date of the Hospital Fee Program is April 1, 2009, through December 31, 2010, and is predicated in part on the enhanced Federal Medicaid Assistance Percentage ("FMAP") contained in the American Reinvestment and Recovery Act ("ARRA"). The Hospital Fee Program would make supplemental payments to hospitals for various health care services and support the State's effort to maintain health care coverage for children. The Center, as a designated public hospital, is exempt from paying the "Quality Assurance Fee"; however, the Center is eligible to receive supplemental payments under the Hospital Fee Program. The Hospital Fee Program became effective in fiscal year 2011 after approval from the Centers for Medicare and Medicaid Services ("CMS"). In September 2011, Senate Bill 335 ("Part Three") was signed into law which extends the Program to cover the period beginning July 1, 2011, through December 31, 2013. For the year ended June 30, 2014, the Center recorded revenue of $25.4 million included in net patient service revenue.

Assembly Bill 915 – State of California Assembly Bill 915, Public Hospital Outpatient Services Supplemental Reimbursement Program, provides for supplemental reimbursement equal to the federal share of unreimbursed facility costs incurred by public hospital outpatient departments. This supplemental payment covers only Medi-Cal fee-for-service outpatient services. The supplemental payment is based on each eligible hospital's certified public expenditures ("CPE"), which are matched with federal Medicaid funds. For the year ended June 30, 2014, the Center recorded revenue of $1.7 million, included in managed care supplemental and other funding.

In total, the Center received supplemental Medi-Cal managed care payments, which include IGT, hospital fee program, and other supplemental managed care payments, of $9.3 million in 2014, which are recorded under net patient service revenue in the statements of revenues, expenses, and changes in net position.

The Center also received total supplemental payments of $164 thousand in 2014, from DHCS, that are recorded as a designated public hospital direct grant under non-operating revenue in the statements of revenues, expenses, and changes in net position.

The legislation states that the direct grants are in support of health care expenditures, which do not constitute Medi-Cal payments. Accordingly, these grants are considered as government-mandated non-exchange transactions according to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* Non-exchange transactions for GASB reporters are generally not reported as components of income from operations according to GASB Statement No. 34, *Basic Financial Statements -and Management's Discussion and Analysis – for State and Local Governments.* As such, GASB would require the grants to be recognized as non-operating grant and contribution revenue in the financial statements.

The Center concludes that the payments received from Central California Alliance for Health are not contributions and are considered exchange transactions because the revenue is an augmentation of Medi-Cal reimbursement for patient services provided and reduces the contractual adjustment of the specific payor category in the period the supplemental payment is recognized.

Meaningful use of electronic health records

Under certain provisions of the American Recovery and Reinvestment Act of 2009 (“ARRA”), federal incentive payments are available to hospitals, physicians, and certain other professionals (“Providers”) when they adopt, implement or upgrade (“AIU”) certified health record (“EHR”) technology or become “meaningful users,” as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety, and effectiveness of care. Providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each period over four periods. Medicaid providers can receive their initial incentive payment by satisfying AIU criteria, but must demonstrate meaningful use of EHR technology in subsequent years in order to qualify for additional payments. Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments; however, physicians and other professionals may be eligible for either Medicare or Medicaid incentive payments, but not both. Hospitals that are meaningful users under the Medicaid EHR

Note 15: Natividad Medical Center - Net Patient Service Revenue (continued)

incentive payment program are deemed meaningful users under the Medicaid EHR incentive payment program and do not need to meet additional criteria imposed by a state. Medicaid EHR incentive payments to providers are 100 percent federally funded and administered by the states. CMS established calendar year 2011 as the first year states could offer EHR incentive payments. Before a state may offer EHR incentive payments, the state must submit and CMS must approve the state's incentive plan.
During the year ended June 30, 2014, the Center satisfied the CMS AIU and/or meaningful use criteria. As a result, the Center recognized approximately $2.4 million of Medicare EHR incentive payments included in other operative revenues in the statements of revenues, expenses, and changes in net position for the year ended June 30, 2014.

Senate Bill (SB) 1732
The Center participates in the SB 1732 program, which provides supplemental Medi-Cal reimbursement to qualifying hospitals for a portion of their debt service on revenue bonds that were issued to finance construction or maintenance of a new facility. To qualify for SB 1732, the Center must be a State-Designated Disproportionate Share Hospital facility and be a Medi-Cal contracting hospital. The SB 1732 program reimbursements reflect the Center's annual debt multiplied by a ratio of the Center's paid Medi-Cal patient days to total patient days. Since the funds received are supplemental Medi-Cal payments, the payments are applied against the Medi-Cal contractual allowance, increasing net patient service revenue. The Center recognized funding under this program, of approximately $3 million for 2014.

Note 16: Related Party Transactions

Incorporated in 1988, the Natividad Medical Foundation (Foundation) is a non-profit, non-governmental organization separately incorporated from the Center. Recognizing the need for quality health care and decreased funding from the Federal, State, and local levels, community leaders accepted the responsibility of providing financial assistance to the Center and developed the Natividad Medical Foundation.

The criteria established in GASB 39, *Determining Whether Certain Organizations are Component Units*, determines whether the Foundation is reported as a component unit of the Center. Since the revenues reported by the Foundation are not significant to the Center, the Foundation is not a component unit of the Center, but is a related party.

As part of providing financial assistance to the Center, the Foundation is the administrator for the following contracts and grants:

> <u>Family Residency Training Program (Song-Brown)</u> – The Center has contraction with the Office of Statewide Health Planning and Development through August 15, 2015, to provide training for family practice residents under the direction of the Director of Family Practice Residency Training Program within the Center. The Foundation serves as fiscal administrator of the program and as such is entitled to 8% of awarded funds to cover administrative costs.

The Foundation manages the receipts and disbursements for the various programs. As several of the grants are on a cost reimbursement basis, the Foundation has loaned funds to some of the programs to cover cash flows. These loans are included in notes receivable on the Foundation's Statement of Financial Position. Remaining cash balance on hand or amounts due to the Foundation due to timing of transactions are reflected as due from (to) the Center. As administrator of the contracts and grants, for the calendar year ended December 31, 2013, the Foundation has recorded $19,731 of contracts and grant administration revenues.

The following is a summary of the program transactions for the year ended December 31, 2013:

Contracts and grant receipts	$ 341,782
Disbursements	302,122

Accounts payable includes $12,005 due to the Center for payment of restricted funds.

Note 16: Related Party Transactions (continued)

The Foundation also has an agreement with the Center for January 1, 2008 through December 31, 2013 to provide philanthropic services defined as "fundraising community outreach in connection with fundraising, preparing and submitting grant applications and administering current and future grants" in support of NMC's strategic vision.

Note 17: Insurance and Contingent Liabilities

The County is exposed to various risks of loss, primarily related to: civil tort liability; theft or destruction of assets, errors and omissions, injury to employees, natural disasters and professional liability and property damage.

The County is a certified State of California Self-Insured Public Entity. The County accounts for its risk financing activities using General Liability (GL) and Workers' Compensation (WC) internal service funds (ISFs). The County accrues liabilities for the ultimate cost of claims and expenses associated with GL-ISF and WC-ISF claims. The liabilities and claims costs charged back to the County departments are based upon results of annual actuarial reports prepared by Bickmore and Associates, the County's actuary of record. Claim costs are based on, but not limited to: claim frequency and severity, claim loss value incurred but not reported, allocated loss adjustment expenses and unallocated loss adjustment expenses.

The County's Excess GL program is insured by "A Rated" insurance companies, providing coverage in excess of the County's self-insured retention (SIR). The County paid a total annual premium of $566,476 for Excess GL premiums. The County's current GL claims - Third Party Administrator (TPA) is: Carl Warren and Company.

Additionally, Excess WC coverage is provided by the California State Association of Counties - Excess Insurance Authority (CSAC-EIA). CSAC is a joint powers authority, whose purpose is to develop and fund programs of excess insurance for member counties. The CSAC-EIA Board of Directors, consisting of representatives from member counties, provides for CSAC-EIA's structured governance. The County paid total annual excess WC premiums of $1,300,134. CSAC-EIA's financial statements can be obtained at: CSAC-EIA, 3017 Gold Canal Drive, Rancho Cordova, CA 95670.

The County was previously insured via traditional domestic workers' compensation insurance (e.g., either through AIG or Liberty Mutual) during the period of July 1, 1996 through June 30, 2002. All pending claims, incurred/reported, prior to July 1, 1996 and subsequent to June 30, 2002, and all subsequent open pending claims, remain part of the County's self-insured workers' compensation program. Currently, the WC claims are administered by the County's WC TPA, Intercare Holdings .

The County also participates in the CSAC "All Risk - Property Insurance Program". The County's "All Risk" deductible is $25,000, per occurrence. Primary coverage is provided by private insurance, excess of deductible, with limits of $25 million per occurrence, and shared limits of $600 million (e.g., subject to policy coverage terms, applicable limits, sub-limits, endorsements and exclusions). The County currently insures over $1 billion in structural and contents (real property) values and has paid a total annual premium of $642,180. The property insurance program premiums are allocated to the County departments based upon premium rate and square footage occupied.

Changes in the balance of claims liabilities during fiscal years 2013-14 and 2012-13 for all self-insurance risks are approximately as follows:

	2013-14	2012-13
Unpaid claims, beginning of year	$ 60,070,800	$ 56,772,563
Estimated claims incurred	21,028,826	18,934,744
Claim payments	(16,379,571)	(15,636,508)
Unpaid claims, end of year	$ 64,720,055	$ 60,070,799

Note 18: Subsequent Events

Office Building Purchase

On August 26, 2014, the County Board of Supervisors approved the purchase of a 294,065 square foot furnished office building complex located at 1441 Schilling Place, Salinas, California for approximately $13 million. The County completed the transaction and made the required payment in September 2014.

Acceptance of Capital Assets

The County owns and through the Parks Department operates the Laguna Seca Raceway under a concession agreement with the Sports Car Racing Association of the Monterey Peninsula (SCRAMP), a nonprofit corporation. Per the concession agreement, on August 26, 2014, SCRAMP transferred, and the County Board of Supervisors accepted ownership of all fixed structures, buildings and site improvements constructed by SCRAMP on property associated with the Raceway. The net value of the property transferred by SCRAMP and accepted by the County is approximately $11.87 million as presented in the audited financial report of SCRAMP as of December 31, 2013.

Note 19: Restatement of Net Position and Fund Balances

Adjustments resulting from errors or changes to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning fund balance / net position.

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

	Governmental Activities	Business-type Activities
Net position/Fund balance, beginning of year, as originally stated	$ 678,550,781	$ 121,352,941
Correct revenue recognition from prior year	(877,850)	-
Adjustment of land held for resale	(759,803)	-
Adjustment of capital assets	(2,080,491)	-
Removal of Deferred Issuance Cost	(2,527,582)	(1,458,204)
Reversal of FY2013 capital assets expenditure	1,191,681	-
Recognition of unavailable revenue	23,713,897	-
Net position/Fund balance, beginning of year, as restated	$ 697,210,633	$ 119,894,737

Note 19: Restatement of Net Position and Fund Balances (continued)

	Governmental Funds		
	General Fund	Other Governmental Funds	Private Purpose Trust
Net position/Fund balance, beginning of year, as originally stated	$ 104,851,793	$ 90,741,029	$ 15,092,822
Correct revenue recognition from prior year	(877,850)	-	-
Adjustment of land held for resale	-	(759,803)	718,737
Adjustment of capital assets	-	-	2,418,723
Removal of Deferred Issuance Cost	-	-	-
Reversal of FY2013 capital assets expenditure	-	-	-
Recognition of unavailable revenue	-	-	-
Net position/Fund balance, beginning of year, as restated	$ 103,973,943	$ 89,981,226	$ 18,230,282

Note 20: Stewardship, Compliance and Accountability

Deficit Fund Balances/Net Position

The General Liability internal service fund had deficit net position of $ 8,898,346 as of June 30, 2014 . The County settled for a $15,500,000 Notes Payable in fiscal year 2007-08 from its Lakes Resort which caused the deficit in the fund. The Note amount with interest was approved to be paid in full by the County Board over 15 years. This fund experienced deficit seven years ago when the County was on a pay-as-you-go basis. The County approved a 5 year plan to fund the deficit in fiscal year 2004-05. The original 5 year funding plan was successfully completed. The payment of the Lake Resorts' liability is correcting the deficit. However, the current year net operating loss from increase in claims caused the deficit to slightly increase.

The Park and Lake Resort enterprise funds has a deficit net position of $ 1,519,025 as of June 30, 2014 . This fund was converted from a special revenue fund to an enterprise fund in fiscal year 2010-11. Due to the drought conditions over the last three years in California and the insufficient fee structure, the fund has experienced the deficit. The County's General Fund has made a significant contribution to this fund in fiscal year 2014, offsetting the entire annual net loss of the fund and reducing the prior year deficit. The General Fund intends to contribute in the future until the fund has stabilized.

The Office of Employment Training under non-major Special Revenue Funds has a negative fund balance of 19,151 . This fund is funded through the Federal Workforce Investment Act (WIA) and other grant funds. Its function is to provide employment and training services to disadvantaged adults and youth, as well as dislocated workers. The deficit on this fund was an isolated event caused by the timing difference between grant reimbursements and program expenditures.

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF MONTEREY

Required Supplementary Information
For the Year Ended June 30, 2014

COUNTY OF MONTEREY EMPLOYEES' RETIREMENT PLAN

SCHEDULE OF FUNDING PROGRESS

The tables below show a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

Funded Status of Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded /(Overfunded) Liability	Funded Ratio	Annual Covered Payroll
6/30/13	$ 1,311,213,862	$ 1,052,650,107	$258,563,755	80.3 %	$254,580,693
6/30/12	1,257,304,491	1,112,194,965	145,109,526	88.5 %	260,099,654
6/30/11	1,169,818,464	1,047,556,476	122,261,988	89.5 %	256,825,026

Funded Status of Safety Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded /(Overfunded) Liability	Funded Ratio	Annual Covered Payroll
6/30/13	$ 482,245,287	$ 335,018,021	$147,227,266	69.5 %	$ 46,697,467
6/30/12	456,414,934	357,199,739	99,215,195	78.3 %	47,587,266
6/30/11	444,376,014	336,315,870	108,060,144	75.7 %	48,544,439

Funded Status of Water Resources Agency

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pools Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/13	$ 23,429,204	$ 18,640,020	$ 4,789,184	79.6 %	$ 3,117,502
6/30/12	22,565,668	17,022,379	5,543,289	75.4 %	3,287,814
6/30/11	21,494,027	17,162,043	4,331,984	79.8 %	3,969,194

COUNTY OF MONTEREY

Required Supplementary Information
For the Year Ended June 30, 2014

COUNTY OF MONTEREY RETIREE HEALTHCARE PLAN

SCHEDULE OF FUNDING PROGRESS

Funded Status of Miscellaneous Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/13	$ 11,839,000	$ 36,655,000	$ 24,816,000	32.3 %	$ 298,873,000	8.3 %
6/30/11	4,434,000	31,719,000	27,299,000	14.0 %	288,974,000	9.4 %
6/30/09	150,000	23,292,000	23,142,000	0.6 %	293,876,000	7.9 %

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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COUNTY OF MONTEREY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and investments:				
Held in County Treasury	$ 53,828,785	$ 2,031,604	$ 24,702,738	$ 80,563,127
Held with trustee	51,010	12,025,696	2,601,434	14,678,140
Receivables	13,657,715	2,770	822	13,661,307
Due from other funds	202,649	-	-	202,649
Inventories	138,850	-	-	138,850
Prepaid items and other assets	-	-	100,000	100,000
Notes receivables	8,911,858	-	178,213	9,090,071
Total assets	$ 76,790,867	$ 14,060,070	$ 27,583,207	$ 118,434,144
Liabilities				
Vouchers and accounts payable	$ 2,298,526	$ -	$ 1,969,135	$ 4,267,661
Accrued salaries and benefits	1,264,064	-	-	1,264,064
Due to other funds	202,649	-	-	202,649
Deposits from others	3,495,485	54,966	739,962	4,290,413
Unearned revenues	2,538,168	-	122,146	2,660,314
Total liabilities	9,798,892	54,966	2,831,243	12,685,101
Deferred inflows of resources				
Unavailable revenue	9,950,953	2,152	179,035	10,132,140
Total deferred inflows of resources	9,950,953	2,152	179,035	10,132,140
Fund balances				
Nonspendable	138,850	-	100,000	238,850
Restricted	23,041,799	12,216,457	178,213	35,436,469
Committed	3,126,965	-	375,321	3,502,286
Assigned	30,733,408	1,786,495	23,919,394	56,439,297
Total fund balances	57,041,022	14,002,952	24,572,929	95,616,903
Total liabilities, deferred inflows of resources and fund balances	$ 76,790,867	$ 14,060,070	$ 27,583,207	$ 118,434,144

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Taxes	$ 11,008,764	$ -	$ 154,256	$ 11,163,020
Licenses, permits, and franchises	227,224	-	-	227,224
Fines, forfeitures, and penalties	865,773	-	-	865,773
Revenue from use of money and property	470,311	2,599,722	176,169	3,246,202
Aid from other governmental agencies	94,696,872	-	303,749	95,000,621
Charges for services	18,760,291	2,000,618	14	20,760,923
Miscellaneous revenues	662,070	-	30,055	692,125
Total revenues	126,691,305	4,600,340	664,243	131,955,888
Expenditures:				
Current:				
General government	126,806	-	-	126,806
Public protection	14,797,694	-	-	14,797,694
Public ways and facilities	25,058,331	-	-	25,058,331
Health and sanitation	4,050,848	-	-	4,050,848
Public assistance	6,686,819	-	-	6,686,819
Education	7,781,335	-	-	7,781,335
Debt service:				
Principal	56,026	6,477,144	-	6,533,170
Interest and debt service costs	6,441	8,149,819	-	8,156,260
Capital outlay	-	-	10,182,335	10,182,335
Total expenditures	58,564,300	14,626,963	10,182,335	83,373,598
Excess (deficiency) of revenues over (under) expenditures	68,127,005	(10,026,623)	(9,518,091)	48,582,290
Other financing sources (uses):				
Transfers in	25,298,036	9,834,262	4,077,513	39,209,811
Transfers out	(77,618,784)	-	(4,544,252)	(82,163,036)
Sale of capital assets	6,611	-	-	6,611
Total other financing sources (uses)	(52,314,137)	9,834,262	(466,739)	(42,946,614)
Net change in fund balances	15,812,868	(192,361)	(9,984,830)	5,635,676
Fund balances, beginning of year	41,228,154	14,195,313	34,557,759	89,981,226
Fund balances, end of year	$ 57,041,022	$ 14,002,952	$ 24,572,929	$ 95,616,903

SPECIAL REVENUE FUNDS

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

SPECIAL REVENUE FUNDS

Road Fund – Carries out public ways activities of traffic engineering, project and community development, design, construction, and operation of county road, bridge, and utility infrastructure and receives state highway users tax and state and federal aid and grants.

County Library – Established as a special taxing authority under the County Library Law of 1911 and, as such, is funded primarily through its own share of property tax to provide library services to residents of Monterey County.

In-Home Support Services – Program to provide services to aged, blind and disabled persons who are unable to remain in their homes without assistance.

Fish and Game Propagation – Administration of the County's Fish and Game Commission, which consists of fifteen members, three from each supervisorial district to oversee allocation of fish and game fine monies.

Office of Employment Training – Receives federal funds for the design, implementation and oversight of youth and adult employment training services.

Community Action Partnership – Administration of the Community Services Block Grant for provision of specified programs to advance and advocate for the low-income population.

Inclusionary Housing – To facilitate the development of lower income housing throughout Monterey County through either direct grants or low interest rate loans.

Homeland Security Grant – Created to separate the grant funds activities from operational expenditures of the Office of Emergency Services (OES).

Health & Welfare Realignment – Administers the state realignment funding of sales tax revenue, vehicle license fees and the County's maintenance of efforts for health and social services programs.

Emergency Medical Services – Established at the beginning of 1989 to provide for the collection and distribution of fine proceeds authorized by the California State Legislature's adoption of Senate Bill 612.

Local Revenue Fund – Pursuant to AB 118, this fund was created to receive sales tax revenue and vehicle license fee realignment funds.

Workforce Investment Fund – Serves as a vehicle to mobilize and integrate private and public partners to educate, train, and place individuals with the necessary resources and skills to fulfill employer needs.

Nacimiento Hydroelectric Operations – Responsible for the management of Nacimiento hydroelectric operations in Monterey County.

Other Water Resources Agencies – Responsible for the management of groundwater resources and flood control protection in Monterey County.

County Service Areas – Provide a variety of services to the unincorporated developments within the County including storm drain and surface water disposal, street and sidewalk maintenance, street lighting, wastewater reclamation and open space maintenance.

Sanitation Districts – Administers and maintains four sanitation districts, operating costs are funded with user fees and property taxes.

Housing Successor Fund – Includes the set aside fund of the former Redevelopment Agency of the County of Monterey for tax increment revenues set aside for low to moderate income housing projects. Redevelopment Agency was dissolved under AB 1X26 as of February 1, 2012 and the fund is now administered by the County acting as a housing successor.

COUNTY OF MONTEREY

Combining Balance Sheet
Special Revenue
June 30, 2014

	Road Fund	Library Fund	In-Home Support Services	Fish & Game Propagation Fund
Assets				
Cash and investments:				
Held in County Treasury	$ 11,809,481	$ 1,765,824	$ 167	$ 43,963
Held with trustee	-	-	-	-
Receivables	972,946	223,411	236,755	-
Due from other funds	-	-	-	-
Inventories	138,850	-	-	-
Notes receivables	-	-	-	-
Total assets	$ 12,921,277	$ 1,989,235	$ 236,922	$ 43,963
Liabilities				
Vouchers and accounts payable	$ 1,049,974	$ 55,475	$ 266	$ 20
Accrued salaries and benefits	460,841	206,712	9,231	-
Due to other funds	-	-	-	-
Deposits from others	3,238,690	-	398	-
Unearned revenues	2,508,447	7,235	-	-
Total liabilities	7,257,952	269,422	9,895	20
Deferred inflows of resources				
Unavailable revenue	611,320	170,144	184,028	-
Total deferred inflows of resources	611,320	170,144	184,028	-
Fund balances				
Nonspendable	138,850	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	4,913,155	1,549,669	42,999	43,943
Total fund balances	5,052,005	1,549,669	42,999	43,943
Total liabilities, deferred inflows of resources and fund balances	$ 12,921,277	$ 1,989,235	$ 236,922	$ 43,963

continued

COUNTY OF MONTEREY

Combining Balance Sheet
Special Revenue
June 30, 2014

	Office Of Employment Training	Community Action Partnership	Inclusionary Housing	Homeland Security Grant
Assets				
Cash and investments:				
Held in County Treasury	$ 271,280	$ 205,535	$ 544,748	$ 86,459
Held with trustee	-	-	-	-
Receivables	16,810	79,562	1,528	46,400
Due from other funds	202,649	-	-	-
Inventories	-	-	-	-
Notes receivables	-	-	565,404	-
Total assets	$ 490,739	$ 285,097	$ 1,111,680	$ 132,859
Liabilities				
Vouchers and accounts payable	$ 231,567	$ 33,959	$ 318	$ 28,529
Accrued salaries and benefits	274,792	8,021	-	52,167
Due to other funds	-	-	-	-
Deposits from others	110	-	-	-
Unearned revenues	3,421	-	-	-
Total liabilities	509,890	41,980	318	80,696
Deferred inflows of resources				
Unavailable revenue	-	-	565,404	-
Total deferred inflows of resources	-	-	565,404	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	234,699	-	52,163
Committed	-	-	255,354	-
Assigned	(19,151)	8,418	290,604	-
Total fund balances	(19,151)	243,117	545,958	52,163
Total liabilities, deferred inflows of resources and fund balances	$ 490,739	$ 285,097	$ 1,111,680	$ 132,859

continued

COUNTY OF MONTEREY

Combining Balance Sheet
Special Revenue
June 30, 2014

	H&W Realignment	Emergency Medical Service Fund	Local Revenue Fund 2011	Workforce Investment Board
Assets				
Cash and investments:				
Held in County Treasury	$ 7,292,373	$ 858,989	$ 3,921,307	$ 85
Held with trustee	-	-	-	-
Receivables	3,690,331	17,879	5,163,298	245,092
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Notes receivables	-	-	-	-
Total assets	$ 10,982,704	$ 876,868	$ 9,084,605	$ 245,177
Liabilities				
Vouchers and accounts payable	$ -	$ 349,893	$ -	$ 828
Accrued salaries and benefits	-	-	-	17,462
Due to other funds	-	-	-	202,649
Deposits from others	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	-	349,893	-	220,939
Deferred inflows of resources				
Unavailable revenue	-	100	-	-
Total deferred inflows of resources	-	100	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	10,982,704	476,993	9,084,605	-
Committed	-	-	-	-
Assigned	-	49,882	-	24,238
Total fund balances	10,982,704	526,875	9,084,605	24,238
Total liabilities, deferred inflows of resources and fund balances	$ 10,982,704	$ 876,868	$ 9,084,605	$ 245,177

continued

COUNTY OF MONTEREY

Combining Balance Sheet
Special Revenue
June 30, 2014

	Agencies Under Board of Supervisors		
	Nacimiento Hydroelectric Operations	Other Water Resources Agencies	County Service Areas
Assets			
Cash and investments:			
Held in County Treasury	$ 144,773	$ 15,104,228	$ 10,016,214
Held with trustee	-	-	-
Receivables	157	1,790,526	125,072
Due from other funds	-	-	-
Inventories	-	-	-
Notes receivables	-	1,470,421	-
Total assets	$ 144,930	$ 18,365,175	$ 10,141,286
Liabilities			
Vouchers and accounts payable	$ 13,466	$ 284,511	$ 162,651
Accrued salaries and benefits	-	234,838	-
Due to other funds	-	-	-
Deposits from others	-	256,287	-
Unearned revenues	-	15,600	3,465
Total liabilities	13,466	791,236	166,116
Deferred inflows of resources			
Unavailable revenue	-	595,610	69,407
Total deferred inflows of resources	-	595,610	69,407
Fund balances			
Nonspendable	-	-	-
Restricted	-	1,470,422	-
Committed	-	1,802,449	743,046
Assigned	131,464	13,705,458	9,162,717
Total fund balances	131,464	16,978,329	9,905,763
Total liabilities, deferred inflows of resources and fund balances	$ 144,930	$ 18,365,175	$ 10,141,286

continued

COUNTY OF MONTEREY

Combining Balance Sheet
Special Revenue
June 30, 2014

	Agencies Under Board of Supervisors		
	Sanitation Districts	Housing Successor	Total
Assets			
Cash and investments:			
Held in County Treasury	$ 1,074,157	$ 689,202	$ 53,828,786
Held with trustee	-	51,010	51,010
Receivables	188,834	859,113	13,657,714
Due from other funds	-	-	202,649
Inventories	-	-	138,850
Notes receivables	-	6,876,033	8,911,858
Total assets	$ 1,262,991	$ 8,475,358	$ 76,790,867
Liabilities			
Vouchers and accounts payable	$ 87,070	$ -	$ 2,298,526
Accrued salaries and benefits	-	-	1,264,064
Due to other funds	-	-	202,649
Deposits from others	-	-	3,495,485
Unearned revenues	-	-	2,538,168
Total liabilities	87,070	-	9,798,892
Deferred inflows of resources			
Unavailable revenue	19,793	7,735,145	9,950,953
Total deferred inflows of resources	19,793	7,735,145	9,950,953
Fund balances			
Nonspendable	-	-	138,850
Restricted	-	740,213	23,041,799
Committed	326,115	-	3,126,964
Assigned	830,013	-	30,733,409
Total fund balances	1,156,128	740,213	57,041,022
Total liabilities, deferred inflows of resources and fund balances	$ 1,262,991	$ 8,475,358	$ 76,790,867

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue
June 30, 2014

	Road Fund	Library Fund	In-Home Support Services	Fish & Game Propagation Fund
Revenues:				
Taxes	$ -	$ 6,551,407	$ -	$ -
Licenses, permits, and franchises	214,863	-	-	-
Fines, forfeitures, and penalties	-	-	-	22,333
Revenue from use of money and property	6,089	8,990	373	130
Aid from other governmental agencies	19,801,461	477,333	460,215	-
Charges for services	2,778,545	148,202	-	-
Miscellaneous revenues	55,229	191,131	-	-
Total revenues	22,856,187	7,377,063	460,588	22,463
Expenditures:				
Current:				
General government	-	-	-	-
Public protection	-	-	-	11,628
Public ways and facilities	24,213,965	-	-	-
Health and sanitation	-	-	-	-
Public assistance	-	-	439,030	-
Education	-	7,781,335	-	-
Debt service:				
Principal	-	-	-	-
Interest and debt service costs	-	-	-	-
Total expenditures	24,213,965	7,781,335	439,030	11,628
Excess (deficiency) of revenues over (under) expenditures	(1,357,778)	(404,272)	21,558	10,835
Other financing sources (uses):				
Transfers in	5,324,240	179,622	6,548	10,786
Transfers out	-	-	-	-
Sale of capital assets	1,900	-	-	-
Total other financing sources (uses)	5,326,140	179,622	6,548	10,786
Net change in fund balances	3,968,362	(224,650)	28,106	21,621
Fund balances, beginning of year, restated	1,083,643	1,774,319	14,893	22,322
Fund balances, end of year	$ 5,052,005	$ 1,549,669	$ 42,999	$ 43,943

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue
June 30, 2014

	Office Of Employment Training	Community Action Partnership	Inclusionary Housing	Homeland Security Grant
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses, permits, and franchises	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-
Revenue from use of money and property	(1,233)	702	12,669	252
Aid from other governmental agencies	-	470,181	-	805,491
Charges for services	-	-	11,441	-
Miscellaneous revenues	9,692	-	27,522	-
Total revenues	8,459	470,883	51,632	805,743
Expenditures:				
Current:				
General government	-	-	122,144	-
Public protection	-	-	-	777,343
Public ways and facilities	-	-	-	-
Health and sanitation	-	-	-	-
Public assistance	5,865,001	458,915	-	-
Education	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and debt service costs	-	-	-	-
Total expenditures	5,865,001	458,915	122,144	777,343
Excess (deficiency) of revenues over (under) expenditures	(5,856,542)	11,968	(70,512)	28,400
Other financing sources (uses):				
Transfers in	5,812,128	352	-	-
Transfers out	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	5,812,128	352	-	-
Net change in fund balances	(44,414)	12,320	(70,512)	28,400
Fund balances, beginning of year, restated	25,263	230,797	616,470	23,763
Fund balances, end of year	$ (19,151)	$ 243,117	$ 545,958	$ 52,163

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue
June 30, 2014

	H&W Realignment	Emergency Medical Service Fund	Local Revenue Fund 2011	Workforce Investment Board
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses, permits, and franchises	-	-	-	-
Fines, forfeitures, and penalties	-	843,440	-	-
Revenue from use of money and property	-	3,348	-	641
Aid from other governmental agencies	29,584,467	-	36,233,368	5,362,777
Charges for services	-	-	-	-
Miscellaneous revenues	-	24,999	-	-
Total revenues	29,584,467	871,787	36,233,368	5,363,418
Expenditures:				
Current:				
General government	-	-	-	-
Public protection	-	-	(108)	-
Public ways and facilities	-	-	-	-
Health and sanitation	-	888,268	-	-
Public assistance	-	-	-	(76,128)
Education	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and debt service costs	-	-	-	-
Total expenditures	-	888,268	(108)	(76,128)
Excess (deficiency) of revenues over (under) expenditures	29,584,467	(16,481)	36,233,476	5,439,546
Other financing sources (uses):				
Transfers in	12,538,706	-	-	356,755
Transfers out	(35,143,996)	-	(33,663,166)	(5,796,216)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(22,605,290)	-	(33,663,166)	(5,439,461)
Net change in fund balances	6,979,177	(16,481)	2,570,310	85
Fund balances, beginning of year, restated	4,003,527	543,356	6,514,296	24,153
Fund balances, end of year	$ 10,982,704	$ 526,875	$ 9,084,606	$ 24,238

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue
June 30, 2014

	Agencies Under Board of Supervisors		
	Nacimiento Hydroelectric Operations	Other Water Resources Agencies	County Service Areas
Revenues:			
Taxes	$ -	$ 2,034,937	$ 2,044,527
Licenses, permits, and franchises	-	12,361	-
Fines, forfeitures, and penalties	-	-	-
Revenue from use of money and property	1,586	375,669	43,817
Aid from other governmental agencies	-	1,362,520	23,401
Charges for services	163,076	14,029,084	438,426
Miscellaneous revenues	104,253	1,368	-
Total revenues	268,915	17,815,939	2,550,171
Expenditures:			
Current:			
General government	-	-	-
Public protection	1,289,369	12,719,463	-
Public ways and facilities	-	-	844,366
Health and sanitation	-	-	1,913,476
Public assistance	-	-	-
Education	-	-	-
Debt service:			
Principal	-	56,026	-
Interest and debt service costs	-	6,441	-
Total expenditures	1,289,369	12,781,930	2,757,842
Excess (deficiency) of revenues over (under) expenditures	(1,020,454)	5,034,009	(207,671)
Other financing sources (uses):			
Transfers in	810,805	-	258,093
Transfers out	-	(2,909,555)	-
Sale of capital assets	-	4,711	-
Total other financing sources (uses)	810,805	(2,904,844)	258,093
Net change in fund balances	(209,649)	2,129,165	50,422
Fund balances, beginning of year, restated	341,113	14,849,164	9,855,341
Fund balances, end of year	$ 131,464	$ 16,978,329	$ 9,905,763

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue
June 30, 2014

	Agencies Under Board of Supervisors		
	Sanitation Districts	Housing Successor	Total
Revenues:			
Taxes	$ 377,893	$ -	$ 11,008,764
Licenses, permits, and franchises	-	-	227,224
Fines, forfeitures, and penalties	-	-	865,773
Revenue from use of money and property	11,934	5,344	470,311
Aid from other governmental agencies	115,660	-	94,696,874
Charges for services	1,187,516	4,000	18,760,290
Miscellaneous revenues	3,980	243,896	662,069
Total revenues	1,696,983	253,240	126,691,305
Expenditures:			
Current:			
General government	-	4,662	126,806
Public protection	-	-	14,797,695
Public ways and facilities	-	-	25,058,331
Health and sanitation	1,249,104	-	4,050,848
Public assistance	-	-	6,686,818
Education	-	-	7,781,335
Debt service:			
Principal	-	-	56,026
Interest and debt service costs	-	-	6,441
Total expenditures	1,249,104	4,662	58,564,300
Excess (deficiency) of revenues over (under) expenditures	447,879	248,578	68,127,005
Other financing sources (uses):			
Transfers in	-	-	25,298,035
Transfers out	(105,850)	-	(77,618,783)
Sale of capital assets	-	-	6,611
Total other financing sources (uses)	(105,850)	-	(52,314,137)
Net change in fund balances	342,029	248,578	15,812,868
Fund balances, beginning of year, restated	814,099	491,635	41,228,154
Fund balances, end of year	$ 1,156,128	$ 740,213	$ 57,041,022

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Licenses, permits, and franchises	$ 444,314	$ 444,314	$ 214,863	$ (229,451)
Revenue from use of money and property	63,180	63,180	6,089	(57,091)
Aid from other governmental agencies	19,663,517	19,663,517	19,801,461	137,944
Charges for services	2,428,309	2,428,309	2,778,545	350,236
Miscellaneous revenues	186,044	186,044	55,229	(130,815)
Total Revenues	22,785,364	22,785,364	22,856,187	70,823
Expenditures				
Public ways and facilities	32,360,722	32,360,722	24,213,965	8,146,757
Total Expenditures	32,360,722	32,360,722	24,213,965	8,146,757
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,575,358)	(9,575,358)	(1,357,778)	8,217,580
Other financing sources (uses):				
Transfers in	6,173,756	6,173,756	5,324,240	(849,516)
Sale of capital assets	-	-	1,900	1,900
Total other financing sources (uses)	6,173,756	6,173,756	5,326,140	(847,616)
Net change in fund balances	(3,401,602)	(3,401,602)	3,968,362	7,369,964
Fund balances, beginning	1,083,643	1,083,643	1,083,643	-
Fund balances, ending	$ (2,317,959)	$ (2,317,959)	$ 5,052,005	$ 7,369,964

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Library Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 6,316,220	$ 6,316,220	$ 6,551,407	$ 235,187
Revenue from use of money and property	1,000	1,000	8,990	7,990
Aid from other governmental agencies	257,560	257,560	477,333	219,773
Charges for services	152,000	152,000	148,202	(3,798)
Miscellaneous revenues	247,000	247,000	191,131	(55,869)
Total revenues	6,973,780	6,973,780	7,377,063	403,283
Expenditures:				
Current:				
Education	8,076,335	8,076,335	7,781,335	295,000
Total expenditures	8,076,335	8,076,335	7,781,335	295,000
Excess (deficiency) of revenues over (under) expenditures	(1,102,555)	(1,102,555)	(404,272)	698,283
Other financing sources (uses):				
Transfers in	179,622	179,622	179,622	-
Total other financing sources (uses)	179,622	179,622	179,622	-
Net change in fund balances	(922,933)	(922,933)	(224,650)	698,283
Fund balances, beginning	1,774,319	1,774,319	1,774,319	-
Fund balances, ending	$ 851,386	$ 851,386	$ 1,549,669	$ 698,283

COUNTY OF MONTEREY

Budgetary Comparison Schedule
In-Home Support Services
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Revenue from use of money and property	$ -	$ -	$ 373	$ 373
Aid from other governmental agencies	370,970	370,970	460,215	89,245
Total revenues	370,970	370,970	460,588	89,618
Expenditures:				
Current:				
Public assistance	450,695	450,695	439,030	11,665
Total expenditures	450,695	450,695	439,030	11,665
Excess (deficiency) of revenues over (under) expenditures	(79,725)	(79,725)	21,558	101,283
Other financing sources (uses):				
Transfers in	79,725	79,725	6,548	(73,177)
Total other financing sources (uses)	79,725	79,725	6,548	(73,177)
Net change in fund balances	-	-	28,106	28,106
Fund balances, beginning	14,893	14,893	14,893	-
Fund balances, ending	$ 14,893	$ 14,893	$ 42,999	$ 28,106

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Fish & Game Propagation Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Fines, forfeitures, and penalties	$ 10,000	$ 10,000	$ 22,333	$ 12,333
Revenue from use of money and property	150	150	130	(20)
Total revenues	10,150	10,150	22,463	12,313
Expenditures:				
Current:				
Public protection	31,650	31,650	11,628	20,022
Total expenditures	31,650	31,650	11,628	20,022
Excess (deficiency) of revenues over (under) expenditures	(21,500)	(21,500)	10,835	32,335
Other financing sources (uses):				
Transfers in	10,786	10,786	10,786	-
Total other financing sources (uses)	10,786	10,786	10,786	-
Net change in fund balances	(10,714)	(10,714)	21,621	32,335
Fund balances, beginning	22,322	22,322	22,322	-
Fund balances, ending	$ 11,608	$ 11,608	$ 43,943	$ 32,335

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Office Of Employment Training
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Revenue from use of money and property	$ -	$ -	$ (1,233)	$ (1,233)
Miscellaneous revenues	-	-	9,692	9,692
Total revenues	-	-	8,459	8,459
Expenditures:				
Current:				
Public assistance	6,401,972	6,401,972	5,865,001	536,971
Total expenditures	6,401,972	6,401,972	5,865,001	536,971
Excess (deficiency) of revenues over (under) expenditures	(6,401,972)	(6,401,972)	(5,856,542)	545,430
Other financing sources (uses):				
Transfers in	6,401,973	6,401,973	5,812,128	(589,845)
Total other financing sources (uses)	6,401,973	6,401,973	5,812,128	(589,845)
Net change in fund balances	1	1	(44,414)	(44,415)
Fund balances, beginning	25,263	25,263	25,263	-
Fund balances, ending	$ 25,264	$ 25,264	$ (19,151)	$ (44,415)

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Community Action Partnership
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Revenue from use of money and property	$ 682	$ 682	$ 702	$ 20
Aid from other governmental agencies	592,081	592,081	470,181	(121,900)
Total revenues	592,763	592,763	470,883	(121,880)
Expenditures:				
Current:				
Public assistance	593,115	593,115	458,915	134,200
Total expenditures	593,115	593,115	458,915	134,200
Excess (deficiency) of revenues over (under) expenditures	(352)	(352)	11,968	12,320
Other financing sources (uses):				
Transfers in	352	352	352	-
Total other financing sources (uses)	352	352	352	-
Net change in fund balances	-	-	12,320	12,320
Fund balances, beginning	230,797	230,797	230,797	-
Fund balances, ending	$ 230,797	$ 230,797	$ 243,117	$ 12,320

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Inclusionary Housing
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Revenue from use of money and property	$ 6,421	$ 6,421	$ 12,669	$ 6,248
Charges for services	7,800	7,800	11,441	3,641
Miscellaneous revenues	26,851	26,851	27,522	671
Total revenues	41,072	41,072	51,632	10,560
Expenditures:				
Current:				
General government	154,956	154,956	122,144	32,812
Total expenditures	154,956	154,956	122,144	32,812
Excess (deficiency) of revenues over (under) expenditures	(113,884)	(113,884)	(70,512)	43,372
Net change in fund balances	(113,884)	(113,884)	(70,512)	43,372
Fund balances, beginning	616,470	616,470	616,470	-
Fund balances, ending	$ 502,586	$ 502,586	$ 545,958	$ 43,372

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Homeland Security Grant
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Revenue from use of money and property	$ -	$ -	$ 252	$ 252
Aid from other governmental agencies	750,000	973,679	805,491	(168,188)
Total revenues	750,000	973,679	805,743	(167,936)
Expenditures:				
Current:				
Public protection	750,000	973,679	777,343	196,336
Total expenditures	750,000	973,679	777,343	196,336
Excess (deficiency) of revenues over (under) expenditures	-	-	28,400	28,400
Net change in fund balances	-	-	28,400	28,400
Fund balances, beginning	23,763	23,763	23,763	-
Fund balance, ending	$ 23,763	$ 23,763	$ 52,163	$ 28,400

COUNTY OF MONTEREY

Budgetary Comparison Schedule
H&W Realignment
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Aid from other governmental agencies	$ 10,686,540	$ 11,188,045	$ 29,584,467	$ 18,396,422
Total revenues	10,686,540	11,188,045	29,584,467	18,396,422
Expenditures:				
Current:				
Public assistance	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	10,686,540	11,188,045	29,584,467	18,396,422
Other financing sources (uses):				
Transfers in	29,693,075	29,693,075	12,538,706	(17,154,369)
Transfers out	(39,329,615)	(39,831,120)	(35,143,996)	4,687,124
Total other financing sources (uses)	(9,636,540)	(10,138,045)	(22,605,290)	(12,467,245)
Net change in fund balances	1,050,000	1,050,000	6,979,177	5,929,177
Fund balances, beginning	4,003,527	4,003,527	4,003,527	-
Fund balance, ending	$ 5,053,527	$ 5,053,527	$ 10,982,704	$ 5,929,177

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Emergency Medical Service Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Fines, forfeitures, and penalties	$ 1,200,000	$ 1,200,000	$ 843,440	$ (356,560)
Revenue from use of money and property	1,000	1,000	3,348	2,348
Miscellaneous revenues	-	-	24,999	24,999
Total revenues	1,201,000	1,201,000	871,787	(329,213)
Expenditures:				
Current:				
Health and sanitation	1,558,747	1,558,747	888,268	670,479
Total expenditures	1,558,747	1,558,747	888,268	670,479
Excess (Deficiency) of Revenues Over (Under) Expenditures	(357,747)	(357,747)	(16,481)	341,266
Net change in fund balances	(357,747)	(357,747)	(16,481)	341,266
Fund balances, beginning	543,356	543,356	543,356	-
Fund balances, ending	$ 185,609	$ 185,609	$ 526,875	$ 341,266

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Local Revenue Fund 2011
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Aid from other governmental agencies	$ 21,182,656	$ 21,440,202	$ 36,233,368	$ 14,793,166
Total revenues	21,182,656	21,440,202	36,233,368	14,793,166
Expenditures:				
Current:				
Public protection	-	-	(108)	108
Total expenditures	-	-	(108)	108
Excess (deficiency) of revenues over (under) expenditures	21,182,656	21,440,202	36,233,476	14,793,058
Other financing sources (uses):				
Transfers in	16,725,454	16,725,454	-	(16,725,454)
Transfers out	(37,908,110)	(38,165,656)	(33,663,166)	4,502,490
Total other financing sources (uses)	(21,182,656)	(21,440,202)	(33,663,166)	(12,222,964)
Net change in fund balances	-	-	2,570,310	2,570,310
Fund balances, beginning	6,514,296	6,514,296	6,514,296	-
Fund balance, ending	$ 6,514,296	$ 6,514,296	$ 9,084,606	$ 2,570,310

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Workforce Investment Board
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Revenue from use of money and property	$ 139	$ 139	$ 641	$ 502
Aid from other governmental agencies	6,328,357	6,328,357	5,362,777	(965,580)
Miscellaneous revenues	2,079	2,079	-	(2,079)
Total revenues	6,330,575	6,330,575	5,363,418	(967,157)
Expenditures:				
Current:				
Public assistance	(55,486)	(55,486)	(76,128)	20,642
Total expenditures	(55,486)	(55,486)	(76,128)	20,642
Excess (deficiency) of revenues over (under) expenditures	6,386,061	6,386,061	5,439,546	(946,515)
Other financing sources (uses):				
Transfers in	-	-	356,755	356,755
Transfers out	(6,386,061)	(6,386,061)	(5,796,216)	589,845
Total other financing sources (uses)	(6,386,061)	(6,386,061)	(5,439,461)	946,600
Net change in fund balances	-	-	85	85
Fund balances, beginning	24,153	24,153	24,153	-
Fund balances, ending	$ 24,153	$ 24,153	$ 24,238	$ 85

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Nacimiento Hydroelectric Operations
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Revenue from use of money and property	$ 1,000	$ 1,000	$ 1,586	$ 586
Charges for services	538,000	538,000	163,076	(374,924)
Miscellaneous revenues	-	-	104,253	104,253
Total revenues	539,000	539,000	268,915	(270,085)
Expenditures:				
Current:				
Public protection	340,506	1,431,894	1,289,369	142,525
Total expenditures	340,506	1,431,894	1,289,369	142,525
Excess (deficiency) of revenues over (under) expenditures	198,494	(892,894)	(1,020,454)	(127,560)
Other financing sources (uses):				
Transfers in	-	810,805	810,805	-
Total other financing sources (uses)	-	810,805	810,805	-
Net change in fund balances	198,494	(82,089)	(209,649)	(127,560)
Fund balances, beginning	341,113	341,113	341,113	-
Fund balance, ending	$ 539,607	$ 259,024	$ 131,464	$ (127,560)

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Other Water Resources Agencies
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 1,888,547	$ 1,888,547	$ 2,034,937	$ 146,390
Licenses, permits, and franchises	29,580	29,580	12,361	(17,219)
Revenue from use of money and property	361,643	361,643	375,669	14,026
Aid from other governmental agencies	2,351,391	2,351,391	1,362,520	(988,871)
Charges for services	13,723,643	13,723,643	14,029,084	305,441
Miscellaneous revenues	-	-	1,368	1,368
Total revenues	18,354,804	18,354,804	17,815,939	(538,865)
Expenditures				
Current:				
Public protection	19,508,043	20,297,699	12,719,463	7,578,236
Debt Service:				
Principal	-	-	56,026	(56,026)
Interest and debt service costs	-	-	6,441	(6,441)
Total expenditures	19,508,043	20,297,699	12,781,930	7,515,769
Excess (deficiency) of revenues over (under) expenditures	(1,153,239)	(1,942,895)	5,034,009	6,976,904
Other financing sources (uses):				
Transfers in	130,000	130,000	-	(130,000)
Transfers out	(167,000)	(977,805)	(2,909,555)	(1,931,750)
Sale of capital assets	-	-	4,711	4,711
Total other financing sources (uses)	(37,000)	(847,805)	(2,904,844)	(2,057,039)
Net change in fund balances	(1,190,239)	(2,790,700)	2,129,165	4,919,865
Fund balances, beginning	14,849,164	14,849,164	14,849,164	-
Fund balances, ending	$ 13,658,925	$ 12,058,464	$ 16,978,329	$ 4,919,865

COUNTY OF MONTEREY

Budgetary Comparison Schedule
County Service Areas
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 1,980,404	$ 1,980,404	$ 2,044,527	$ 64,123
Revenue from use of money and property	31,332	31,332	43,817	12,485
Aid from other governmental agencies	2,387	2,387	23,401	21,014
Charges for services	356,227	356,227	438,426	82,199
Total revenues	2,370,350	2,370,350	2,550,171	179,821
Expenditures				
Current:				
Public ways and facilities	1,075,172	1,562,652	844,366	718,286
Health and sanitation	4,393,745	4,692,595	1,913,476	2,779,119
Total expenditures	5,468,917	6,255,247	2,757,842	3,497,405
Excess (deficiency) of revenues over (under) expenditures	(3,098,567)	(3,884,897)	(207,671)	3,677,226
Other financing sources (uses):				
Transfers in	-	258,093	258,093	-
Total other financing sources (uses)	-	258,093	258,093	-
Net change in fund balances	(3,098,567)	(3,626,804)	50,422	3,677,226
Fund balances, beginning	9,855,341	9,855,341	9,855,341	-
Fund balances, ending	$ 6,756,774	$ 6,228,537	$ 9,905,763	$ 3,677,226

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Sanitation Districts
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 262,070	$ 262,070	$ 377,893	$ 115,823
Revenue from use of money and property	7,052	7,052	11,934	4,882
Aid from other governmental agencies	24,633	24,633	115,660	91,027
Charges for services	1,026,624	1,026,624	1,187,516	160,892
Miscellaneous revenues	619	619	3,980	3,361
Total revenues	1,320,998	1,320,998	1,696,983	375,985
Expenditures				
Current:				
Health and sanitation	1,375,758	1,415,758	1,249,104	166,654
Total expenditures	1,375,758	1,415,758	1,249,104	166,654
Excess (deficiency) of revenues over (under) expenditures	(54,760)	(94,760)	447,879	542,639
Other financing sources (uses):				
Transfers out	(105,850)	(105,850)	(105,850)	-
Total other financing sources (uses)	(105,850)	(105,850)	(105,850)	-
Net change in fund balances	(160,610)	(200,610)	342,029	542,639
Fund balances, beginning	814,099	814,099	814,099	-
Fund balances, ending	$ 653,489	$ 613,489	$ 1,156,128	$ 542,639

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Housing Successor
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ 9,691	$ 9,691	$ 5,344	$ (4,347)
Charges for services	122,000	122,000	4,000	(118,000)
Miscellaneous revenues	702	702	243,896	243,194
Total revenues	132,393	132,393	253,240	120,847
Expenditures				
Current:				
General government	39,195	39,195	4,662	34,533
Total expenditures	39,195	39,195	4,662	34,533
Net change in fund balances	93,198	93,198	248,578	155,380
Fund balances, beginning, restated	491,635	491,635	491,635	-
Fund balances, ending	$ 584,833	$ 584,833	$ 740,213	$ 155,380

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DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The County debt service funds provide for the repayment of debt, other than those financed by proprietary funds, for certificates of participation, revenue bonds and short-term borrowing.

COUNTY OF MONTEREY

DEBT SERVICE FUNDS

Debt Service General Fund – Created to assure the County meets all the debt service obligations in connection with the County's adopted financing policies and State statutes so that the County's credit ratings continue at the current positive levels. The debt is managed by the Auditor-Controller's Office in coordination with the Chief Administrative Office.

County Financing Authority – Established to support the debt service activities funding the County's portion of the construction of the Salinas Valley Water Project. The fund is managed by the Auditor-Controller's Office and the Water Resources Agency.

Public Improvement Corporation – The Corporation assists the County in acquiring, purchasing, constructing, improving and financing real property, facilities and equipment needed for County operations. With County assistance, the Corporation acts as a conduit between the County and bond holders. The Auditor-Controller's office is the oversight agency for all funds provided by the Corporation for capital projects.

COUNTY OF MONTEREY

Combining Balance Sheet
Debt Service
June 30, 2014

	Debt Service General	Monterey County Financing Authority	Public Improvement Corporation Debt Service	Total
Assets				
Cash and investments:				
Held in County Treasury	$ 1,860,095	$ 1	$ 171,508	$ 2,031,604
Held with trustee	-	2,239,266	9,786,430	12,025,696
Receivables	2,770	-	-	2,770
Total assets	$ 1,862,865	$ 2,239,267	$ 9,957,938	$ 14,060,070
Liabilities				
Deposits from others	$ 54,966	$ -	$ -	$ 54,966
Total liabilities	54,966	-	-	54,966
Deferred inflows of resources				
Unavailable revenue	2,152	-	-	2,152
Total deferred inflows of resources	2,152	-	-	2,152
Fund balances				
Restricted	19,252	2,239,267	9,957,938	12,216,457
Assigned	1,786,495	-	-	1,786,495
Total fund balances	1,805,747	2,239,267	9,957,938	14,002,952
Total liabilities, deferred inflows of resources and fund balances	$ 1,862,865	$ 2,239,267	$ 9,957,938	$ 14,060,070

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service
For the Year Ended June 30, 2014

	Debt Service General	Monterey County Financing Authority	Public Improvement Corporation Debt Service	Total
Revenues				
Revenue from use of money and property	$ 11,030	$ 106,211	$ 2,482,481	$ 2,599,722
Charges for services	2,000,618	-	-	2,000,618
Total revenues	2,011,648	106,211	2,482,481	4,600,340
Expenditures				
Debt service:				
Principal	1,126,431	615,000	4,735,713	6,477,144
Interest and debt service costs	854,935	1,522,963	5,771,921	8,149,819
Total expenditures	1,981,366	2,137,963	10,507,634	14,626,963
Excess (deficiency) of revenues over (under) expenditures	30,282	(2,031,752)	(8,025,153)	(10,026,623)
Other financing sources (uses):				
Transfers in	105,850	2,031,750	7,696,662	9,834,262
Total other financing sources (uses)	105,850	2,031,750	7,696,662	9,834,262
Net change in fund balance	136,132	(2)	(328,491)	(192,361)
Fund balances, beginning	1,669,615	2,239,269	10,286,429	14,195,313
Fund balances, ending	$ 1,805,747	$ 2,239,267	$ 9,957,938	$ 14,002,952

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Debt Service General
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 15,969	$ 15,969	$ -	$ (15,969)
Revenue from use of money and property	16,000	16,000	11,030	(4,970)
Charges for services	2,000,000	2,000,000	2,000,618	618
Miscellaneous revenues	97,500	97,500	-	(97,500)
Total revenues	2,129,469	2,129,469	2,011,648	(117,821)
Expenditures				
Debt service:				
Principal	1,091,304	1,091,304	1,126,431	(35,127)
Interest and debt service costs	976,032	976,032	854,935	121,097
Total expenditures	2,067,336	2,067,336	1,981,366	85,970
Excess (deficiency) of revenues over (under) expenditures	62,133	62,133	30,282	(31,851)
Other financing sources (uses)				
Transfers in	105,850	105,850	105,850	-
Total other financing sources (uses)	105,850	105,850	105,850	-
Net change in fund balances	167,983	167,983	136,132	(31,851)
Fund balances, beginning	1,669,615	1,669,615	1,669,615	-
Fund balances, ending	$ 1,837,598	$ 1,837,598	$ 1,805,747	$ (31,851)

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Monterey County Financing Authority
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ 2,137,963	$ 2,137,963	$ 106,211	$ (2,031,752)
Total revenues	2,137,963	2,137,963	106,211	(2,031,752)
Expenditures				
Debt service:				
Principal	615,000	615,000	615,000	-
Interest and debt service costs	1,522,963	1,522,963	1,522,963	-
Total expenditures	2,137,963	2,137,963	2,137,963	-
Excess (deficiency) of revenues over (under) expenditures	-	-	(2,031,752)	(2,031,752)
Other financing sources (uses):				
Transfers in	-	-	2,031,750	2,031,750
Total other financing sources (uses)	-	-	2,031,750	2,031,750
Net change in fund balances	-	-	(2)	(2)
Fund balances, beginning	2,239,269	2,239,269	2,239,269	-
Fund balances, ending	$ 2,239,269	$ 2,239,269	$ 2,239,267	$ (2)

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Public Improvement Corporation Debt Service
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ 9,447,430	$ 9,447,430	$ 2,482,481	$ (6,964,949)
Fines, forfeitures, and penalties	1,500,000	1,500,000	-	(1,500,000)
Total revenues	10,947,430	10,947,430	2,482,481	(8,464,949)
Expenditures				
Debt service:				
Principal	7,675,713	7,675,713	4,735,713	2,940,000
Interest and debt service costs	11,127,412	11,127,412	5,771,921	5,355,491
Total expenditures	18,803,125	18,803,125	10,507,634	8,295,491
Excess (deficiency) of revenues over (under) expenditures	(7,855,695)	(7,855,695)	(8,025,153)	(169,458)
Other financing sources (uses):				
Transfers in	7,855,695	7,855,695	7,696,662	(159,033)
Total other financing sources (uses)	7,855,695	7,855,695	7,696,662	(159,033)
Net change in fund balances	-	-	(328,491)	(328,491)
Fund balances, beginning	10,286,429	10,286,429	10,286,429	-
Fund balances, ending	$ 10,286,429	$ 10,286,429	$ 9,957,938	$ (328,491)

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CAPITAL PROJECT FUNDS

Capital project funds are used to account for financial resources to be used for implementation and construction of specific Board approved capital equipment or facilities in a timely and cost-effective manner. The following are the County's nonmajor capital project funds, other than those financed by proprietary funds.

CAPITAL PROJECT FUNDS

Facilities Master Plan Implementation – Established to account for capital projects undertaken with debt in order to adhere to reporting requirements and assure the County is on schedule with project implementation and completion. Current projects include the Courthouse Complete (north, east and west wings), New Juvenile Hall, and Jail House Addition.

Capital Projects Fund – Created to provide for capital improvements, replacement and construction of new County facilities. The fund is administered by the Architectural Services Division within the Resource Management Agency.

Enterprise Resource Planning Fund – Established to account for the implementation of the County's Enterprise Applications project, including the Financial Accounting, Budget Preparation and the Human Resources/Payroll Systems. The Auditor-Controller's Office acts as the project manager of the fund.

Facilities Maintenance Projects Fund – Provides for major maintenance including remodeling, improving, renovation, and upgrading of existing County facilities. The fund is administered by the Public Works Department within the Resource Management Agency.

Other Water Resources Funds – Provides for construction of the Salinas River Diversion Facility portion and Nacimiento Spillway Modification portion of the Salinas Valley Water Project.

NGEN Radio Project – Provides for the design/build project to make the radio system compliant with the Federal Communications Commission mandate.

East Garrison CFD – Provides for the acquisition, construction, and operation of public capital facilities in East Garrison.

COUNTY OF MONTEREY

Combining Balance Sheet
Capital Projects
June 30, 2014

	Facility Master Plan Implementation	Capital Projects Fund	Enterprise Resource Planning Fund	Facilities Project Fund
Assets				
Cash and investments:				
Held in County Treasury	$ 14,304,745	$ 4,710,266	$ 1,021,075	$ 3,039,197
Held with trustee	-	-	-	-
Receivables	-	822	-	-
Prepaid items and other assets	100,000	-	-	-
Notes receivables	-	178,213	-	-
Total assets	$ 14,404,745	$ 4,889,301	$ 1,021,075	$ 3,039,197
Liabilities				
Vouchers and accounts payable	$ 385,192	$ 97,417	$ 106,903	$ 343,782
Deposits from others	-	-	-	-
Unearned revenues	-	22,146	-	-
Total liabilities	385,192	119,563	106,903	343,782
Deferred inflows of resources				
Unavailable revenue	-	179,035	-	-
Total deferred inflows of resources	-	179,035	-	-
Fund balances				
Nonspendable	100,000	-	-	-
Restricted	-	178,213	-	-
Committed	-	-	-	-
Assigned	13,919,553	4,412,490	914,172	2,695,415
Total fund balances	14,019,553	4,590,703	914,172	2,695,415
Total liabilities, deferred inflows of resources and fund balances	$ 14,404,745	$ 4,889,301	$ 1,021,075	$ 3,039,197

continued

COUNTY OF MONTEREY

Combining Balance Sheet
Capital Projects
June 30, 2014

	Other Water Resources Agencies	NGEN Radio Project	East Garrison Capital Projects	Total
Assets				
Cash and investments:				
Held in County Treasury	$ 653,081	$ 568,094	$ 406,278	$ 24,702,738
Held with trustee	-	2,601,434	-	2,601,434
Receivables	-	-	-	822
Prepaid items and other assets	-	-	-	100,000
Notes receivables	-	-	-	178,213
Total assets	$ 653,081	$ 3,169,528	$ 406,278	$ 27,583,207
Liabilities				
Vouchers and accounts payable	$ 62	$ 1,010,057	$ 25,723	$ 1,969,135
Deposits from others	645,087	91,513	3,362	739,962
Unearned revenues	-	100,000	-	122,146
Total liabilities	645,149	1,201,570	29,085	2,831,243
Deferred inflows of resources				
Unavailable revenue	-	-	-	179,035
Total deferred inflows of resources	-	-	-	179,035
Fund balances				
Nonspendable	-	-	-	100,000
Restricted	-	-	-	178,213
Committed	-	-	375,321	375,321
Assigned	7,932	1,967,958	1,873	23,919,395
Total fund balances	7,932	1,967,958	377,194	24,572,929
Total liabilities, deferred inflows of resources and fund balances	$ 653,081	$ 3,169,528	$ 406,279	$ 27,583,207

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects
For the Year Ended June 30, 2014

	Facility Master Plan Implementation	Capital Projects Fund	Enterprise Resource Planning Fund	Facilities Project Fund
Revenues				
Taxes	$ -	$ -	$ -	$ -
Revenue from use of money and property	84,421	37,642	4,153	13,630
Aid from other governmental agencies	-	231,758	-	71,991
Charges for services	14	-	-	-
Miscellaneous revenues	-	14	-	12
Total revenues	84,435	269,414	4,153	85,633
Expenditures				
Capital outlay	4,632,893	856,080	93,861	1,222,321
Total expenditures	4,632,893	856,080	93,861	1,222,321
Excess (deficiency) of revenues over (under) expenditures	(4,548,458)	(586,666)	(89,708)	(1,136,688)
Other financing sources (uses)				
Transfers in	3,163,807	432,852	-	480,854
Transfers out	(4,286,159)	(258,093)	-	-
Total other financing sources (uses)	(1,122,352)	174,759	-	480,854
Net change in fund balances	(5,670,810)	(411,907)	(89,708)	(655,834)
Fund balances, beginning	19,690,362	5,002,610	1,003,880	3,351,249
Fund balances, ending	$ 14,019,552	$ 4,590,703	$ 914,172	$ 2,695,415

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects
For the Year Ended June 30, 2014

	Other Water Resources Agencies	NGEN Radio Project	East Garrison Capital Projects	Total
Revenues				
Taxes	$ -	$ -	$ 154,256	$ 154,256
Revenue from use of money and property	2,593	32,165	1,564	176,169
Aid from other governmental agencies	-	-	-	303,749
Charges for services	-	-	-	14
Miscellaneous revenues	-	-	30,029	30,055
Total revenues	2,593	32,165	185,849	664,243
Expenditures				
Capital outlay	-	3,222,802	154,379	10,182,334
Total expenditures	-	3,222,802	154,379	10,182,334
Excess (deficiency) of revenues over (under) expenditures	2,593	(3,190,637)	31,470	(9,518,091)
Other financing sources (uses)				
Transfers in	-	-	-	4,077,513
Transfers out	-	-	-	(4,544,252)
Total other financing sources (uses)	-	-	-	(466,739)
Net change in fund balances	2,593	(3,190,637)	31,470	(9,984,830)
Fund balances, beginning	5,339	5,158,595	345,724	34,557,759
Fund balances, ending	$ 7,932	$ 1,967,958	$ 377,194	$ 24,572,929

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Facility Master Plan Implementation
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Revenue from use of money and property	$ 62,000	$ 62,000	$ 84,421	$ 22,421
Charges for services	-	-	14	14
Total revenues	62,000	62,000	84,435	22,435
Expenditures:				
Capital outlay	14,444,547	14,444,547	4,632,893	9,811,654
Total expenditures	14,444,547	14,444,547	4,632,893	9,811,654
Excess (deficiency) of revenues over (under) expenditures	(14,382,547)	(14,382,547)	(4,548,458)	9,834,089
Other financing sources (uses):				
Transfers in	3,163,807	3,163,807	3,163,807	-
Transfers out	(2,000,000)	(2,000,000)	(4,286,159)	(2,286,159)
Total other financing sources (uses)	1,163,807	1,163,807	(1,122,352)	(2,286,159)
Net change in fund balances	(13,218,740)	(13,218,740)	(5,670,810)	7,547,930
Fund balances, beginning	19,690,362	19,690,362	19,690,362	-
Fund balance, ending	$ 6,471,622	$ 6,471,622	$ 14,019,552	$ 7,547,930

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ 2,000	$ 2,000	$ 37,642	$ 35,642
Aid from other governmental agencies	-	-	231,758	231,758
Miscellaneous revenues	21,477	21,477	14	(21,463)
Total revenues	23,477	23,477	269,414	245,937
Expenditures				
Capital outlay	2,344,640	2,344,640	856,080	1,488,560
Total expenditures	2,344,640	2,344,640	856,080	1,488,560
Excess (deficiency) of revenues over (under) expenditures	(2,321,163)	(2,321,163)	(586,666)	1,734,497
Other financing sources (uses):				
Transfers in	763,962	763,962	432,852	(331,110)
Transfers out	-	-	(258,093)	(258,093)
Total other financing sources (uses)	763,962	763,962	174,759	(589,203)
Net change in fund balances	(1,557,201)	(1,557,201)	(411,907)	1,145,294
Fund balances, beginning	5,002,610	5,002,610	5,002,610	-
Fund balances, ending	$ 3,445,409	$ 3,445,409	$ 4,590,703	$ 1,145,294

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Enterprise Resource Planning Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ -	$ -	$ 4,153	$ 4,153
Total revenues	-	-	4,153	4,153
Expenditures				
Capital outlay	260,546	260,546	93,861	166,685
Total expenditures	260,546	260,546	93,861	166,685
Net change in fund balances	(260,546)	(260,546)	(89,708)	170,838
Fund balances, beginning	1,003,880	1,003,880	1,003,880	-
Fund balances, ending	$ 743,334	$ 743,334	$ 914,172	$ 170,838

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Facilities Project Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ 9,692	$ 9,692	$ 13,630	$ 3,938
Aid from other governmental agencies	-	-	71,991	71,991
Miscellaneous revenues	100,280	100,280	12	(100,268)
Total revenues	109,972	109,972	85,633	(24,339)
Expenditures				
Capital outlay	2,989,458	2,989,458	1,222,321	1,767,137
Total expenditures	2,989,458	2,989,458	1,222,321	1,767,137
Excess (deficiency) of revenues over (under) expenditures	(2,879,486)	(2,879,486)	(1,136,688)	1,742,798
Other financing sources (uses):				
Transfers in	1,250,000	1,250,000	480,854	(769,146)
Transfers out	(100,000)	(100,000)	-	100,000
Total other financing sources (uses)	1,150,000	1,150,000	480,854	(669,146)
Net change in fund balances	(1,729,486)	(1,729,486)	(655,834)	1,073,652
Fund balances, beginning	3,351,249	3,351,249	3,351,249	-
Fund balances, ending	$ 1,621,763	$ 1,621,763	$ 2,695,415	$ 1,073,652

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Other Water Resources Agencies
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ -	$ -	$ 2,593	$ 2,593
Total revenues	-	-	2,593	2,593
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	-	-	2,593	2,593
Fund balances, beginning	5,339	5,339	5,339	-
Fund balances, ending	$ 5,339	$ 5,339	$ 7,932	$ 2,593

COUNTY OF MONTEREY

Budgetary Comparison Schedule
NGEN Radio Project
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Revenue from use of money and property	$ -	$ -	$ 32,165	$ 32,165
Aid from other governmental agencies	2,461,500	2,461,500	-	(2,461,500)
Total revenues	2,461,500	2,461,500	32,165	(2,429,335)
Expenditures				
Capital outlay	4,653,090	4,653,090	3,222,802	1,430,288
Total expenditures	4,653,090	4,653,090	3,222,802	1,430,288
Excess (deficiency) of revenues over (under) expenditures	(2,191,590)	(2,191,590)	(3,190,637)	(999,047)
Other financing sources (uses):				
Transfers in	2,191,590	2,191,590	-	(2,191,590)
Total other financing sources (uses)	2,191,590	2,191,590	-	(2,191,590)
Net change in fund balances	-	-	(3,190,637)	(3,190,637)
Fund balances, beginning	5,158,595	5,158,595	5,158,595	-
Fund balances, ending	$ 5,158,595	$ 5,158,595	$ 1,967,958	$ (3,190,637)

COUNTY OF MONTEREY

Budgetary Comparison Schedule
East Garrison Capital Projects
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ -	$ -	$ 154,256	$ 154,256
Revenue from use of money and property	-	-	1,564	1,564
Miscellaneous revenues	100,000	250,000	30,029	(219,971)
Total revenues	100,000	250,000	185,849	(64,151)
Expenditures:				
Capital outlay	150,000	300,000	154,379	145,621
Total expenditures	150,000	300,000	154,379	145,621
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(50,000)	31,470	81,470
Other financing sources (uses):				
Transfers in	50,000	50,000	-	(50,000)
Total other financing sources (uses)	50,000	50,000	-	(50,000)
Net change in fund balances	-	-	31,470	31,470
Fund balances, beginning	345,724	345,724	345,724	-
Fund balance, ending	$ 345,724	$ 345,724	$ 377,194	$ 31,470

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments, or agencies of the County, or to other governments on a cost-reimbursement basis. Financing requirements are based upon actuarial studies that provide several scenarios that estimate ultimate losses. The County has adopted policies to fund each of these funds at the 70% confidence level. Each participant department of the fund's services contributes to the recovery of expenses based on the participant department's loss history and exposure to risk. All funds are managed by the Risk Management Division of the County Administrative Office.

INTERNAL SERVICE FUNDS

General Liability Fund – Created to provide for all liability judgments, settlements, and claims against the County, including claims that are not covered by the County's excess insurance policy.

Workers Compensation Fund – Created to provide for all workers compensation judgments, settlements, and claims against the County, including prevention expenses and the Return-to-Work program.

Benefit Programs Fund – Created to provide for various benefit programs supported by contributions from County departments, employees and retired employees. Programs include Dental and Vision Benefits for employees and dependents, Employee Assistance, Long Term Disability, Retiree Sick Leave Conversion and other miscellaneous programs.

COUNTY OF MONTEREY

Combining Statement of Net Position
Internal Service Funds
June 30, 2014

	General Liability Fund	Worker's Comp Fund	Benefit Programs Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 1,975,169	$ 59,964,202	$ 13,595,078	$ 75,534,449
Other bank accounts	502,733	1,060,687	155,715	1,719,135
Receivables	865,765	234,108	1,633	1,101,506
Due from other funds	441,872	-	-	441,872
Prepaid expenses	122,573	-	-	122,573
Total current assets	3,908,112	61,258,997	13,752,426	78,919,535
Noncurrent assets:				
Advances to other funds	5,146,181	-	-	5,146,181
Total noncurrent assets	5,146,181	-	-	5,146,181
Total assets	9,054,293	61,258,997	13,752,426	84,065,716
Liabilities				
Current liabilities:				
Accounts payable, deposits and accrued liabilities	5,500	56,604	123,466	185,570
Current portion of claims liability	3,157,905	9,667,372	786,934	13,612,211
Current portion of long-term debt	993,057	-	-	993,057
Other liabilities	-	-	192,640	192,640
Total current liabilities	4,156,462	9,723,976	1,103,040	14,983,478
Long-term liabilities:				
Claims liability	4,781,752	46,326,093	-	51,107,845
Bonds and notes payable	9,014,426	-	-	9,014,426
Total long-term liabilities	13,796,178	46,326,093	-	60,122,271
Total liabilities	17,952,640	56,050,069	1,103,040	75,105,749
Net position:				
Unrestricted (deficit)	(8,898,346)	5,208,928	12,649,386	8,959,968
Total net position	$ (8,898,346)	$ 5,208,928	$ 12,649,386	$ 8,959,968

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2014

	General Liability Fund	Worker's Comp Fund	Benefit Programs Fund	Total
Operating revenues:				
Charges for services	$ 6,484,213	$ 16,520,001	$ 9,464,863	$ 32,469,077
Other operating revenues	1,161,508	1,566,629	-	2,728,137
Total operating revenues	7,645,721	18,086,630	9,464,863	35,197,214
Operating expenses:				
Salaries and benefits	-	-	3,067,542	3,067,542
Services and supplies	3,338,820	2,711,547	734,493	6,784,860
Claims expense	7,130,941	9,944,975	4,253,151	21,329,067
Other expenses	660,461	209,490	34,569	904,520
Total operating expenses	11,130,222	12,866,012	8,089,755	32,085,989
Net operating income (loss)	(3,484,501)	5,220,618	1,375,108	3,111,225
Non-operating revenues (expenses):				
Interest income	311,545	237,841	53,771	603,157
Interest expense	(531,955)	-	-	(531,955)
Total non-operating revenues (expenses)	(220,410)	237,841	53,771	71,202
Net income (loss) before transfers	(3,704,911)	5,458,459	1,428,879	71,202
Transfers in	-	1,336,439	-	1,336,439
Change in net position	(3,704,911)	6,794,898	1,428,879	4,518,866
Net position, beginning of year	(5,193,435)	(1,585,970)	11,220,507	4,441,102
Net position, end of year	$ (8,898,346)	$ 5,208,928	$ 12,649,386	$ 8,959,968

COUNTY OF MONTEREY

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014

	General Liability Fund	Worker's Comp Fund	Benefit Programs Fund	Total
Cash flows from operating activities				
Cash receipts from customers and users	$ 7,210,309	$ 17,887,191	$ 9,471,744	$ 34,569,244
Cash paid to employees for services	-	-	(3,067,542)	(3,067,542)
Cash paid to suppliers for goods and services	(7,718,389)	(11,800,779)	(8,171,484)	(27,690,652)
Net cash provided by operating activities	(508,080)	6,086,412	(1,767,282)	3,811,050
Cash flows from noncapital financing activities:				
Due from other funds	(21,507)	1,336,439	-	1,314,932
Due to other funds	-	(667)	-	(667)
Net cash provided (used) by noncapital financing activities	(21,507)	1,335,772	-	1,314,265
Cash flows from capital and related financing activities:				
Collection of advances	441,872	-	-	441,872
Principal payments on COPS, bonds and loans	(1,825,606)	-	-	(1,825,606)
Interest payments on COPS, bonds and loans	(543,555)	-	-	(543,555)
Net cash provided (used) by capital and related financing activities	(1,927,289)	-	-	(1,927,289)
Cash flow from investing activities				
Interest payments received	311,545	237,841	53,771	603,157
Net cash provided (used) by investing activities	311,545	237,841	53,771	603,157
Net increase (decrease) in cash and cash equivalents	(2,145,331)	7,660,025	(1,713,511)	3,801,183
Cash and cash equivalents, July 1	4,623,232	53,364,864	15,464,304	73,452,400
Cash and Cash Equivalents, June 30	$ 2,477,901	$ 61,024,889	$ 13,750,793	$ 77,253,583
Reconciliation of cash and cash equivalents to Statement of net position				
Cash and cash equivalents	$ 1,975,168	$ 59,964,202	$ 13,595,078	$ 75,534,448
Other bank accounts	502,733	1,060,687	155,715	1,719,135
Total cash and cash equivalents	$ 2,477,901	$ 61,024,889	$ 13,750,793	$ 77,253,583
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ (3,484,501)	$ 5,220,618	$ 1,375,108	$ 3,111,225
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase) decrease in accounts receivable	(435,412)	(199,439)	6,935	(627,916)
Increase (decrease) in accounts payable	(12,084)	(19,206)	(3,225,279)	(3,256,569)
Increase (decrease) in accrued liabilities	-	-	(64,946)	(64,946)
Increase (decrease) in claims liability	3,423,917	1,084,439	140,900	4,649,256
Total adjustments	2,976,421	865,794	(3,142,390)	699,825
Net cash provided (used) by operating activities	$ (508,080)	$ 6,086,412	$ (1,767,282)	$ 3,811,050

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AGENCY FUNDS

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COUNTY OF MONTEREY

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Clearing and revolving funds				
Assets:				
Cash and investments held in County Treasury	$ 183,849	$ 1,249,378	$ -	$ 1,433,227
Prepaid expenses	-	4,855,919	-	4,855,919
Total assets	$ 183,849	$ -	$ -	$ 6,289,146
Liabilities:				
Accounts payable	$ -	$ 692,899	$ -	$ 692,899
Due to other funds	-	4,855,919	-	4,855,919
Assets held as agency for others	183,849	556,479	-	740,328
Total liabilities	$ 183,849	$ 6,105,297	$ -	$ 6,289,146
Taxes and interest				
Assets:				
Cash and investments held in County Treasury	$ 7,431,578	$ -	$ 4,715,332	$ 2,716,246
Taxes receivable	25,404,167	-	2,896,644	22,507,523
Due from other funds	-	4,855,919	-	4,855,919
Total assets	$ 32,835,745	$ 4,855,919	$ 7,611,976	$ 30,079,688
Liabilities:				
Accounts payable	$ 652	$ -	$ -	$ 652
Assets held as agency for others	32,835,093	-	2,756,056	30,079,037
Total liabilities	$ 32,835,745	$ -	$ 2,756,056	$ 30,079,689
Departmental				
Assets:				
Cash and investments held in County Treasury	$ 1,889,976	$ -	$ 126,669	$ 1,763,307
Other bank accounts	-	10,109,113	-	10,109,113
Long-term receivables	30,000	-	-	30,000
Total assets	$ 1,919,976	$ 10,109,113	$ 126,669	$ 11,902,420
Liabilities:				
Accounts payable	$ 13,679	$ -	$ 7,899	$ 5,780
Assets held as agency for others	1,906,297	9,990,343	-	11,896,640
Total liabilities	$ 1,919,976	$ 9,990,343	$ 7,899	$ 11,902,420

continued

COUNTY OF MONTEREY

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Transit				
Assets:				
Cash and investments held in County Treasury	$ 2,053,944	$ 55,287	$ -	$ 2,109,231
Total assets	$ 2,053,944	$ 55,287	$ -	$ 2,109,231
Liabilities:				
Assets held as agency for others	$ 2,053,944	$ 55,287	$ -	$ 2,109,231
Total liabilities	$ 2,053,944	$ 55,287	$ -	$ 2,109,231
Total all agency funds				
Assets:				
Cash and investments held in County Treasury	$ 11,559,347	$ 1,304,665	$ 126,669	$ 8,022,012
Other bank accounts	-	10,109,113	-	10,109,113
Taxes receivable	25,404,167	-	2,896,644	22,507,523
Prepaid expenses	-	4,855,919	-	4,855,919
Due from other funds	-	4,855,919	-	4,855,919
Long-term receivables	30,000	-	-	30,000
Total assets	$ 36,993,514	$ 21,125,616	$ 3,023,313	$ 50,380,486
Liabilities:				
Accounts payable	$ 14,331	$ 692,899	$ 7,899	$ 699,331
Due to other funds	-	4,855,919	-	4,855,919
Assets held as agency for others	36,979,183	10,546,822	2,756,056	44,825,236
Total liabilities	$ 36,993,514	$ 16,095,640	$ 2,763,955	$ 50,380,486

DETAILED BUDGET SCHEDULES

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COUNTY OF MONTEREY

Schedule of Expenditures-Budget and Actual
General
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
General Government				
Annual County Audit	$ 250,000	$ 250,000	$ 209,632	$ 40,368
Architectural Services	(2,531)	(2,531)	(5,440)	2,909
Assessor	5,145,077	5,145,077	4,541,251	603,826
Auditor-Controller	4,732,013	4,812,013	4,806,790	5,223
Board of Supervisors	2,751,229	2,751,229	2,695,438	55,791
CAO - Administration / Finance / Budget	2,612,506	2,751,714	2,583,524	168,190
Clerk of the Board	825,954	825,954	683,421	142,533
Contingencies	4,794,358	-	-	-
Contracts & Purchasing	761,994	858,510	808,618	49,892
County Counsel	2,868,316	2,868,316	2,476,268	392,048
County Memberships	48,459	48,459	48,459	-
County Overhead Recovered	(6,900,000)	(6,900,000)	(6,138,312)	(761,688)
Courier & Mail Services	2,064	2,064	1,063	1,001
Development Set-Aside	1,573,650	1,573,650	1,573,650	-
Elections	4,889,543	4,889,543	3,786,950	1,102,593
Emergency Communications	10,688,950	10,688,950	8,963,089	1,725,861
Enterprise Risk	662,384	2,078,259	1,673,081	405,178
Equal Opportunity Office	741,736	741,736	599,597	142,139
Facilities Services	4,214,194	4,214,194	4,200,556	13,638
Fleet Services	508,155	568,155	460,864	107,291
Human Resources	3,227,471	3,227,471	2,912,734	314,737
Information Technology Systems	202,058	889,567	615,073	274,494
Insurance & Other General Expenditures	67,500	67,500	21,885	45,615
Intergovernmental / Legislative Affairs	1,118,804	1,202,104	1,093,729	108,375
Non-Program Revenue	-	-	(13,623)	13,623
Other Financing Uses	7,068,541	7,068,541	1,471,949	5,596,592
Records Retention	24,000	24,000	(132,477)	156,477
Risk Management	(16,005)	(16,005)	-	(16,005)
Surveyor	608,446	1,608,446	758,367	850,079
Telecommunications	978,102	978,102	940,132	37,970
Treasurer - Tax Collector	6,883,457	6,883,457	6,225,320	658,137
Vehicle Lease Program	53,362	553,362	(1,247,176)	1,800,538
Utilities	2,092,226	2,280,778	2,150,304	130,474
Total General Government	63,476,013	62,932,615	48,764,714	14,167,901

continued

COUNTY OF MONTEREY

Schedule of Expenditures-Budget and Actual
General
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Public Saftey and Protection				
Agriculture Commissioner	9,244,812	9,244,812	8,784,019	460,793
Animal Services	1,738,680	1,838,680	1,763,239	75,441
Building Services	5,006,160	5,006,160	4,882,042	124,118
Child Support Services	10,694,050	11,029,954	10,841,551	188,403
Clerk-Recorder	1,961,765	1,961,765	1,894,625	67,140
Contributions	2,965,425	2,965,425	2,958,677	6,748
Courts	9,025,615	9,025,615	8,258,016	767,599
District Attorney	20,668,524	21,675,824	21,028,404	647,420
Economic Opportunity Administration	845,956	1,111,075	1,054,390	56,685
Grand Jury	148,802	148,802	51,873	96,929
Litter Control	540,541	600,541	595,454	5,087
Office of Emergency Services	908,650	908,650	870,500	38,150
Planning Services	5,508,956	5,508,956	5,305,722	203,234
Probation	39,248,771	39,243,213	38,553,734	689,479
Public Defender	9,477,815	10,268,946	10,071,012	197,934
Public Guardian / Administrator	1,336,113	1,486,113	1,321,130	164,983
RMA Administration	539,169	539,169	539,169	-
Sheriff - Admin & Enforcement Ops	38,304,450	39,104,450	38,764,960	339,490
Sheriff - Coroner Operations	1,809,754	1,909,754	1,848,629	61,125
Sheriff - Custody Operations	34,643,578	35,043,578	34,795,816	247,762
Sheriff - Inmate Medical Costs	5,882,625	5,882,625	5,671,940	210,685
Total Public Saftey and Protection	200,500,211	204,504,107	199,854,904	4,649,203
Health and Sanitation				
Children's Medical Services	7,873,970	7,873,970	7,559,421	314,549
Clinic Services	34,042,115	34,042,115	29,952,299	4,089,816
County Disposal Sites	144,380	194,380	171,876	22,504
Emergency Medical Services	4,000	4,000	1,332	2,668
Environmental Health	8,014,854	8,014,854	7,703,580	311,274
Public Health	17,665,967	17,665,967	15,858,981	1,806,986
Total Health and Sanitation	67,745,286	67,795,286	61,247,488	6,547,798

continued

COUNTY OF MONTEREY

Schedule of Expenditures-Budget and Actual
General
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Public Assistance				
Community Programs	478,544	478,544	432,256	46,288
Entitlement Programs	70,625,973	71,525,973	70,902,681	623,292
Entitlement Programs - Gen. Assistance	1,416,148	1,341,148	1,203,804	137,344
Military & Veterans' Services	777,369	843,867	805,706	38,161
Senior & Aging Services	2,140,006	2,140,006	2,018,022	121,984
Social Services	92,246,550	93,593,199	83,296,878	10,296,321
Total Public Assistance	167,684,590	169,922,737	158,659,347	11,263,390
Education				
Cooperative Extension Service	516,156	516,156	500,089	16,067
Total Education	516,156	516,156	500,089	16,067
Recreation and Cultural Services				
Parks	4,455,160	4,806,160	4,801,432	4,728
Total Recreation and Cultural Services	4,455,160	4,806,160	4,801,432	4,728
Non-Appropriations Unit				
Debt Service	935,000	935,000	1,000	934,000
Total General Fund	$ 505,312,416	$ 511,412,061	$ 473,828,974	$ 37,583,087

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STATISTICAL SECTION

Statistical Section

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

<u>Financial Trends</u>

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. (Schedule 1-4)

<u>Revenue Capacity</u>

These schedules contain information to help the reader assess the County's most significant local revenue sources, property tax and sales tax. (Schedule 5-10)

<u>Debt Capacity</u>

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future. (Schedule 11-13)

<u>Demographic and Economic Information</u>

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place. (Schedule 14-16)

<u>Operating Information</u>

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs. (Schedule 17-18)

COUNTY OF MONTEREY
Net Position by Component,
Last Ten Fiscal Years (in thousands)
(Accrual Basis of Accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Govermental activities:										
Net investment in capital assets	459,041	463,900	472,945	488,623	502,815	499,457	483,233	488,760	510,497	476,707
Restricted	75,421	94,186	105,712	103,947	105,250	107,568	101,554	28,366	23,429	58,531
Unrestricted	39,461	42,940	67,582	61,497	47,043	26,595	53,903	122,822	144,625	179,220
Total Governmental Activities Net Position	573,923	601,026	646,239	654,067	655,108	633,620	638,690	639,948	678,551	714,458
Business-type activities:										
Net investment in capital assets	55,814	50,634	47,334	46,079	47,265	49,185	49,257	52,590	56,799	64,921
Unrestricted	(1,831)	734	12,522	26,513	32,795	44,468	61,905	64,116	57,815	54,336
Total Business-Type Activities Net Position	53,983	51,368	59,856	72,592	80,060	93,653	111,162	116,706	114,614	119,257
Total Primary government:										
Net investment in capital assets	514,855	514,534	520,279	534,702	550,080	548,642	532,490	541,351	567,296	541,628
Restricted	75,421	94,186	105,712	103,947	105,250	107,568	101,554	28,366	23,429	58,531
Unrestricted	37,630	43,674	80,104	88,010	79,838	71,064	115,807	186,938	202,440	233,556
Total Primary Government Net Position	627,906	652,394	706,095	726,659	735,168	727,274	749,851	756,655	793,165	833,715

Notes:

1. Accounting standards require that net position be reported in the three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position are considered restricted when (1) externally imposed by creditors (such as debt covenants), grantors, contributor, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Schedule 2

COUNTY OF MONTEREY
Changes in Net Position
Last Ten Fiscal Years (in thousands)
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expense (by function)										
Governmental activities:										
General government	46,864	69,797	74,425	78,259	77,858	89,451	63,092	65,283	68,114	62,834
Public safety and protection	150,392	153,047	144,628	187,688	177,793	168,427	188,103	195,539	202,351	215,556
Public ways and facilities	52,600	63,174	44,829	39,158	46,389	47,463	46,695	28,340	28,382	30,513
Health and sanitation	100,380	93,290	115,157	130,618	135,229	123,966	126,050	125,339	123,088	133,639
Public assistance	126,017	129,735	136,395	150,406	158,130	168,968	171,299	157,884	161,214	168,359
Education	5,699	5,958	6,341	7,271	7,562	7,808	8,212	7,731	7,807	8,373
Recreation and cultural services	6,041	7,154	8,316	10,156	1,158	10,963	8,855	4,934	4,485	5,342
Interest on long-term debt	5,987	4,650	3,216	8,780	10,173	9,750	9,545	10,202	9,483	8,656
Total governmental activities expenses	493,980	526,805	533,307	612,336	614,292	626,796	621,851	595,252	604,924	633,272
Business-type activities:										
Natividad Medical Center	166,433	137,698	135,634	186,121	194,876	205,760	169,335	176,269	179,531	184,553
Parks and Lake Resort	-	-	-	-	-	-	3,410	10,129	10,075	8,502
Total business type activities expenses	166,433	137,698	135,634	186,121	194,876	205,760	172,745	186,398	189,606	193,055
Total primary government expenses	660,413	664,503	668,941	798,457	809,168	832,555	794,597	781,650	794,530	826,327

COUNTY OF MONTEREY
Changes in Net Position
Last Ten Fiscal Years (in thousands)
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues (by function)										
Governmental activities:										
Charges for services:										
General government	34,516	24,384	38,268	29,719	36,313	25,187	27,033	22,950	24,166	22,855
Public safety and protection	23,586	26,289	11,786	15,015	16,789	18,753	27,856	37,752	38,503	38,654
Public ways and facilities	25,790	31,184	24,099	27,436	26,336	19,700	18,126	3,391	3,875	3,309
Health and sanitation	19,526	23,342	27,163	31,021	30,835	35,502	34,284	35,548	40,233	37,201
Public assistance	9	6	8	2,083	64	1,591	2,102	3,122	2,231	2,574
Education	94	110	273	413	493	381	698	411	323	149
Recreation and cultural services	5,058	7,774	5,994	7,573	6,974	6,353	5,310	5,276	1,241	957
Operating grants and contributions	244,208	279,696	294,631	286,808	303,095	318,962	324,371	323,675	353,380	354,894
Capital grants and contributions	427	7,327	718	-	-	-	10,752	11,168	11,119	5,370
Total governmental activities revenues	353,214	400,112	402,940	400,068	420,899	426,430	450,531	443,293	475,071	465,963
Business-type activities:										
Charges for services:										
Patient services	150,638	107,387	133,071	182,947	185,600	208,170	196,348	172,536	170,180	181,565
Recreational Services	-	-	-	-	-	-	1,045	8,476	7,325	4,727
Operating grants and contributions	-	-	-	-	12,921	-	5,455	160	941	96
Capital grants and contributions	-	-	-	10,339	3,158	11,156	-	-	1,574	-
Total business-type activities revenues	150,638	107,387	133,071	193,286	201,679	219,326	202,848	181,172	180,020	186,388
Total primary government program revenues	503,852	507,499	536,011	593,354	622,578	645,756	653,379	624,465	655,091	652,351
Net (expense) revenue										
Governmental activities	(140,766)	(126,693)	(130,367)	(212,268)	(203,393)	(200,366)	(171,321)	(151,959)	151,959	(167,309)
Business-type activities	(15,794)	(30,311)	(2,563)	7,165	6,803	13,567	301,103	(5,226)	5,226	(6,667)
Total primary net expense	(156,560)	(157,004)	(132,930)	(205,103)	(196,590)	(186,799)	129,782	(157,185)	157,185	(173,976)

COUNTY OF MONTEREY
Changes in Net Position
Last Ten Fiscal Years (in thousands)
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues & Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	79,088	127,363	137,625	156,088	149,239	130,817	128,310	126,298	124,796	128,477
Sales tax	6,717	6,552	5,767	6,782	6,565	5,379	7,125	8,856	8,754	9,688
Sales tax in-lieu	1,497	-	-	-	-	-	-	-	-	-
Vehicle license fees and in-lieu	28,493	-	-	13,773	-	-	-	-	-	-
Transient occupancy & Other	39,312	23,814	24,627	24,941	24,846	21,170	17,140	20,049	25,399	28,102
Unrestricted grants & contributions	-	-	-	-	12,243	11,610	-	-	-	-
Investment earnings	7,355	12,620	14,366	11,609	2,073	4,091	3,058	7,661	7,779	8,666
Miscellaneous	17,325	10,369	7,213	8,265	5,067	5,860	3,958	4,244	8,215	10,485
Transfers	-	(26,776)	(10,372)	(4,200)	-	(2,050)	12,889	(335)	(6,488)	(862)
Special item	-	-	-	-	-	-	(447)	(13,557)	-	-
Total governmental activities	179,787	153,942	179,226	217,258	200,033	176,876	172,033	153,216	168,455	184,556
Business-type activities:										
Unrestricted grants & contributions	42,253	920	679	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	293	369	311	217
Miscellaneous	-	-	-	1,371	665	-	-	10,068	7,433	4,950
Transfers	-	26,776	10,372	4,200	-	-	(12,889)	335	6,488	862
Total business-type activities	42,253	27,696	11,051	5,571	665	-	(12,595)	10,772	14,233	6,029
Total primary government	222,040	181,638	190,277	222,829	200,698	176,876	159,438	163,988	182,688	190,586
Change in Net Position										
Governmental activities	39,021	27,249	48,859	4,990	(3,360)	(23,490)	712	1,258	38,603	17,247
Business-type activities	26,459	(2,615)	8,488	12,736	7,468	13,567	17,508	5,545	4,646	(638)
Total primary government	65,480	24,634	57,347	17,726	4,108	(9,923)	18,220	6,803	43,249	16,609

Schedule 3

COUNTY OF MONTEREY
Fund Balances, Governmental Funds
Last Ten Fiscal Years (in thousands)
(Accrual Basis of Accounting)

	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	8,316	9,756	8,789	8,524	7,600	1,891
Unreserved	78,701	77,932	92,334	95,308	80,731	74,612
Total General Fund	87,017	87,688	101,123	103,832	88,331	76,503
All Other Governmental Funds						
Reserved	20,528	5,976	4,581	6,071	20,764	9,819
Debt service	9,684	8,088	16,352	15,238	13,240	15,893
Other reserves	3,816	3,778	-	-	-	-
Unreserved, reported in:						
Special revenue funds	29,316	24,860	31,774	34,326	40,372	35,049
Capital project funds	67,585	86,317	129,255	117,420	73,033	62,784
Other designations	250	1,500	750	-	6,986	651
Total all other governmental funds	131,179	130,519	182,712	173,055	154,395	124,196
Total governmental funds balances	218,196	218,207	283,835	276,887	242,726	200,699

	2011	2012	2013	2014
General Fund				
Nonspendable	214	196	262	251
Restricted	-	-	448	534
Commited	52,293	52,293	60,293	60,293
Assigned	27,955	37,065	38,329	39,275
Unassigned	4,877	2,386	5,520	17,552
Total General Fund	85,339	91,940	104,852	117,905
All Other Governmental Funds				
Nonspendable	106	93	2,571	239
Restricted	43,571	28,366	45,354	57,997
Commited	788	1,932	3,510	6,932
Assigned	76,295	70,316	63,770	58,005
Unassigned	-	(35)	-	-
Total all other governmental funds	120,760	100,672	115,205	123,173
Total governmental funds balances	206,099	192,612	220,057	241,078

Notes:

1. In FY 2010-11 the County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, commited, assigned, and unassigned. FY 2009-10 fund balances have been recharacterized to comply with GASB54 in order to facilitate year-to-year comparisons.

Schedule 4

COUNTY OF MONTEREY
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years(in thousands)
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	155,107	157,728	181,923	187,810	181,287	162,220	153,657	156,251	159,052	167,007
Licenses	14,366	13,840	17,545	13,584	12,114	11,144	14,546	13,864	17,155	18,587
Fines,forfeitures & penalties	5,244	8,634	4,574	8,079	8,795	10,398	9,735	9,769	10,216	8,486
Revenues from use of money & property	7,111	11,653	13,426	10,580	3,872	4,839	5,311	6,921	7,181	6,909
Aid from other government agencies	244,635	281,804	281,075	284,063	306,557	320,663	336,495	330,210	362,079	361,406
Charges for services	88,971	96,596	81,442	97,944	102,163	92,417	81,543	79,050	73,073	77,780
Tobacco settlement and miscellaneous	8,603	10,222	10,576	11,245	9,728	9,055	9,076	8,950	12,966	12,125
Total revenues	524,037	580,477	590,561	613,305	624,516	610,737	610,364	605,015	641,722	652,301
Expenditures:										
Current:										
General government	44,532	74,348	74,491	73,785	74,058	82,245	51,599	49,817	48,960	48,892
Public safety and protection	148,873	154,382	149,144	178,397	174,034	166,184	186,448	203,349	201,730	214,653
Public ways and facilities	39,031	65,207	32,993	24,895	65,068	43,937	39,629	27,090	27,024	25,058
Health and sanitation	100,452	95,321	116,715	130,333	133,964	123,491	125,794	125,564	127,261	132,906
Public assistance	125,181	129,802	136,993	147,789	156,667	167,982	171,904	158,786	162,926	168,031
Education	5,548	5,851	6,278	7,023	7,388	7,721	8,415	7,745	7,796	8,281
Recreation and cultural services	5,755	7,001	8,584	8,455	11,097	11,574	10,428	4,783	4,155	4,801
Debt service:										
Interest	5,444	4,432	7,266	6,004	4,559	9,816	8,676	9,311	8,913	8,157
Principal	2,310	3,186	3,633	5,744	9,787	4,920	5,289	5,987	6,615	6,533
Capital outlay	25,120	15,976	36,932	31,090	46,535	34,949	11,206	12,868	12,549	10,182
Total Expenditures:	502,246	555,506	573,029	613,515	683,157	652,819	619,388	605,300	607,929	627,495
Excess (Deficiency) of Revenue Over (Under) Expenditures	21,791	24,971	17,532	(210)	(58,641)	(42,082)	(9,024)	(285)	33,793	24,806

COUNTY OF MONTEREY
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years(in thousands)
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses):										
Premium on issuance of debt	-	-	-	-	-	863	8,519	-	-	-
Inception of capital leases	-	-	71	-	74	85	-	-	-	-
Transfers in	32,128	32,395	31,736	23,121	55,215	57,030	36,671	41,462	97,359	114,285
Transfer out	(44,314)	(57,390)	(42,107)	(29,821)	(55,215)	(57,030)	(27,533)	(41,797)	(103,847)	(116,484)
Capital lease	-	-	-	-	-	-	-	-	60	-
Proceeds from borrowing	853	36	146,598	-	33,618	-	-	-	-	-
Sale of receivables	8,721	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	245	341	725	81	51
Payment to refund bond escrow agent	-	-	(87,895)	-	-	-	-	-	-	-
Miscellaneous	-	-	-	241	187	-	-	-	-	-
Total other financing sources (uses)	(2,612)	(24,959)	48,403	(6,459)	33,879	1,193	17,997	390	(6,347)	(2,148)
Extraordinary item:										
RDA Dissolution	-	-	-	-	-	(2,171)	(447)	(13,593)	-	-
Net change in fund balances:	19,179	12	65,935	(6,669)	(24,762)	(43,060)	8,527	(13,488)	27,446	22,657
Debt Service as a percentage of non-capital expenditures	1.63 %	1.41 %	2.03 %	2.02 %	2.25 %	2.39 %	2.30 %	2.58 %	2.68 %	2.38 %

(principal and interest) divided by (total expenditures less capital expenditures)

Notes:

1. 2010 Interest and Principal re-stated post CAFR.

Schedule 5

COUNTY OF MONTEREY

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	(1) Secured Roll	(2) Unsecured Roll	(3) Exemptions	Net Assessed Valuations	(4) Total Direct Tax Rate
2005	$ 38,434,502	$ 1,713,181	$ (1,235,833)	$ 38,911,850	1.00%
2006	42,538,965	1,859,928	(1,329,452)	43,069,441	1.00%
2007	47,388,757	1,999,660	(1,471,788)	47,916,629	1.00%
2008	51,334,367	2,035,086	(1,525,258)	51,844,195	1.00%
2009	52,454,129	2,234,086	(1,608,033)	53,080,182	1.00%
2010	50,655,874	2,254,022	(1,679,121)	51,230,775	1.00%
2011	48,774,186	2,116,423	(1,770,929)	49,119,680	1.00%
2012	48,980,011	2,103,408	(1,856,776)	49,226,643	1.00%
2013	49,595,091	2,122,678	(1,914,519)	49,803,250	1.00%
2014	51,396,835	2,159,991	(2,009,761)	51,547,065	1.00%

Source: Monterey County Property Tax Records

Notes:

1. Secured property is generally the real property, which is defined as land, mineral, timber, and improvements such as buildings, structures, crops, trees and vines. Also included in secured roll are unitary properties, including railroads and utilities, which cross the country and are assessed by the State Board of Equalization.
2. Unsecured property is generally personal property, including machinery, equipment, office tools, supplies, mobile homes, and aircraft.
3. Exempt properties include numerous full and partial exclusions/exemptions provided.
4. Article XIIIA, added to the California Construction by Proposition 13 in 1978, fixed the based for valuation of property subject to taxes at the full cash value. Additionally, Proposition 13 limits the property tax rate to 1% of assessed value, plus the rate necessary to fund local voter-approved bonds and special assessments.

COUNTY OF MONTEREY
Principal Property Taxpayers
For the Year Ended June 30, 2014 and June 30, 2005

		2014			2005		
Tax Payer	Type of Business	Taxable Assessed Value ($'000)	Rank	Percentage of Total County Assessed Value	Taxable Assessed Value ($'000)	Rank	Percentage of Total County Assessed Value
Pebble Beach Company	Tourism	716,702	1	1.39%	627,988	2	1.61%
Pacific Gas & Electric Company	Utility	493,521	2	0.96%	266,931	3	0.68%
Chevron USA Inc	Petroleum	408,145	3	0.79%			-
Aera Energy LLC	Utility	406,152	4	0.79%	-		-
Dynergy Moss Landing LLC	Utility	357,781	5	0.69%	-		-
Northridge Owner LP	Retail	121,207	6	0.24%	128,618	4	0.33%
California- American Water Company	Utility	118,469	7	0.23%	90,000	6	0.23%
Pacific Bell Telephone Company	Utility	97,546	8	0.19%	103,666	5	0.27%
Scheid Vineyards California Inc	Agriculture	94,274	9	0.18%	-		-
Pacific Holdings LP ET AL	Real Estate	94,246	10	0.18%	51,098		0.13%
Duke Energy Moss Landing LLC	Utility	-		-	762,000	1	1.96%
King City LP	Real Estate	-		-	62,831	7	0.16%
DDI Salinas II LLC et al	Real Estate	-		-	42,413	8	0.11%
Pacific Wine Partners	Agriculture	-		-	60,668	9	0.16%
San Bernabe Vineyards LLC	Agriculture	-		-	46,538	10	0.12%
Ten Largest Taxpayers' Total		2,908,043		5.64%	2,242,751		5.76%
All Other Taxpayers' Total		48,639,022		94.36%	36,669,099		94.24%
Total		51,547,065		100%	38,911,850		100%

Source: County of Monterey Property Tax Records

Note:

For Total Taxable Assessed Value refer to Schedule 5 "Assessed Value and Actual Value of Taxable Property".

Schedule 7

COUNTY OF MONTEREY
Property Tax Levies and Collections
Last Ten Years
(in thousand of dollars)

Fiscal Year Ended June 30	(1) Taxes Levied for the Fiscal Year	(2) Collected within the Fiscal Year of the Levy: Amount	(2) Collected within the Fiscal Year of the Levy: Percentage of Levy	(3) Collections in Subsequent Years	Taxes Levied Current and Delinquent	(4) Total Collections to Date: Amount	(4) Total Collections to Date: Percentage of Levy
2005	$ 440,553	$ 434,059	98.53 %	$ 8,378	$ 451,676	$ 442,437	97.95 %
2006	487,644	476,758	97.77 %	7,098	496,596	483,856	97.43 %
2007	541,741	522,686	96.48 %	7,930	555,437	530,616	95.53 %
2008	588,831	556,021	94.43 %	15,065	613,523	571,086	93.08 %
2009	603,438	576,924	95.61 %	29,000	646,268	605,924	93.76 %
2010	585,686	565,453	96.55 %	24,288	619,428	589,741	95.21 %
2011	566,445	552,997	97.63 %	22,076	603,021	575,073	95.37 %
2012	573,255	561,891	98.02 %	12,842	601,215	574,733	95.60 %
2013	582,546	572,426	98.26 %	11,742	608,897	584,168	95.94 %
2014	602,945	595,209	98.72 %	11,067	627,324	606,276	96.64 %

Source: Monterey County Property Tax Records.

Notes:

1. Includes Secured, Unsecured, and Unitary Taxes levied for the county itself, school districts, cities and special districts under the supervision of their own governing boards. Includes adjustments to the tax rolls from the levy date to deliquency date.
2. Includes amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.
3. Includes adjustments to the levy. Taxes levied less collections to date equal the deliquent taxes receivable.
4. Includes taxes levied (current and delinquent) related to collections for the year.

COUNTY OF MONTEREY
Debt Service Tax Rate For County And Major Overlapping Government
Per $100 of Assessed Value
Last Ten Fiscal Years

	For Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
County direct rates										
General	14.813889	14.813870	14.784135	14.751079	14.637790	14.452087	14.346461	15.804535	15.235119	15.141367
Library	1.179298	1.177428	1.172425	1.164689	1.160636	1.133234	1.103560	1.209012	1.661350	1.178158
County Service Areas & Sanitation	0.153308	0.116691	0.117764	0.115144	0.039874	0.135940	0.135689	0.219329	0.216132	0.222298
Water Resources	0.358991	0.361016	0.361484	0.362362	0.359210	0.372378	0.383529	0.421046	0.406600	0.407905
City rates										
Carmel	0.913139	0.903411	0.827081	0.822621	0.802125	0.751905	0.717096	0.749296	0.730806	0.720076
Del Rey Oaks	0.073054	0.072828	0.074288	0.077210	0.077751	0.079810	0.079178	0.080482	0.078549	0.080001
Gonzales	0.076742	0.077329	0.078314	0.077412	0.080418	0.082207	0.088013	0.081491	0.091232	0.097036
Greenfield	0.059165	0.058289	0.059535	0.059437	0.059250	0.068568	0.071868	0.049409	0.065685	0.072774
King City	0.131165	0.130737	0.131056	0.135188	0.139766	0.157765	0.154829	0.165488	0.156128	0.156253
Marina	0.375805	0.380745	0.381047	0.387057	0.380330	0.387567	0.384894	0.399152	0.375469	0.344079
Monterey	1.158205	1.167624	1.179693	1.197878	1.170677	1.132741	1.113760	1.097052	1.133047	1.136827
Pacific Grove	0.821313	0.820216	0.807094	0.810753	0.796683	0.769199	0.748815	0.788310	0.772615	0.774360
Salinas	2.263236	2.282341	2.292314	2.306384	2.353403	2.582488	2.793812	2.302551	2.794428	2.694001
Sand City	0.017156	0.017815	0.018024	0.018044	0.017297	0.016687	0.017051	0.015666	0.017377	0.019696
Seaside	0.277707	0.276452	0.279856	0.282226	0.274028	0.284341	0.304753	0.208791	0.206352	0.230110
Soledad	0.053927	0.054407	0.055514	0.055508	0.057976	0.071765	0.059687	0.064554	0.057797	0.058425
Successor agency rates	8.026337	7.915752	8.008584	8.082739	8.482595	8.693821	8.696505	6.840411	6.729190	6.607182
School district	62.254048	62.677332	62.531706	62.474742	62.127529	61.851773	61.960329	61.584579	62.479818	62.630993
Fire district rates	3.800211	3.806164	3.840794	3.829219	3.870595	3.793015	3.770415	3.990884	3.922357	3.984466
Other special district rates	4.458292	4.444871	4.438881	4.414108	4.387779	4.228169	4.178586	4.335442	4.324334	4.402253

Source: Monterey County Records

COUNTY OF MONTEREY
(Unincorporated)
Taxable Sales by Category
Last Ten Fiscal Years
(amounts expressed in thousands)

Type of Business	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Apparel stores	$ 9,925	$ 11,465	$ 13,000	$ 11,510	$ 9,510	$ 8,865	$ 9,136	$ 9,027	$ 9,154	$ 9,255
General merchandise	2,776	3,007	3,290	3,372	3,591	3,578	1,599	1,592	1,593	1,649
Packaged Liquor	-	-	-	-	-	-	-	-	3,689	6,763
Food stores	42,613	45,968	48,355	49,372	48,232	50,928	50,849	51,776	51,658	54,887
Furniture and appliances	-	-	-	-	-	-	-	-	10,821	11,515
Eating and drinking places	70,276	69,973	73,007	70,039	67,711	72,054	73,180	67,903	67,564	73,437
Building materials	109,928	110,170	103,443	97,273	84,937	102,333	109,815	123,689	127,745	139,121
Auto dealers and suppliers	40,736	42,028	40,176	37,671	25,189	28,009	27,298	36,650	35,465	36,475
Service stations	93,058	104,121	116,676	129,404	102,257	127,507	153,660	151,103	147,993	147,047
Other retail stores	80,454	83,323	84,600	70,959	56,986	37,600	62,940	49,131	49,061	50,780
All other outlets	374,043	392,575	415,640	396,001	320,728	412,485	359,381	384,214	388,015	428,300
Totals	823,809	862,630	898,187	865,601	719,141	843,359	847,858	875,085	892,758	959,229
County direct sales tax rate	- %	- %	0.08 %	0.08 %	0.08 %	0.08 %	0.08 %	0.08 %	0.08 %	0.08 %

Source: State of California Board of Equalization and The HdL Companies

Notes:

Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the county's revenues.

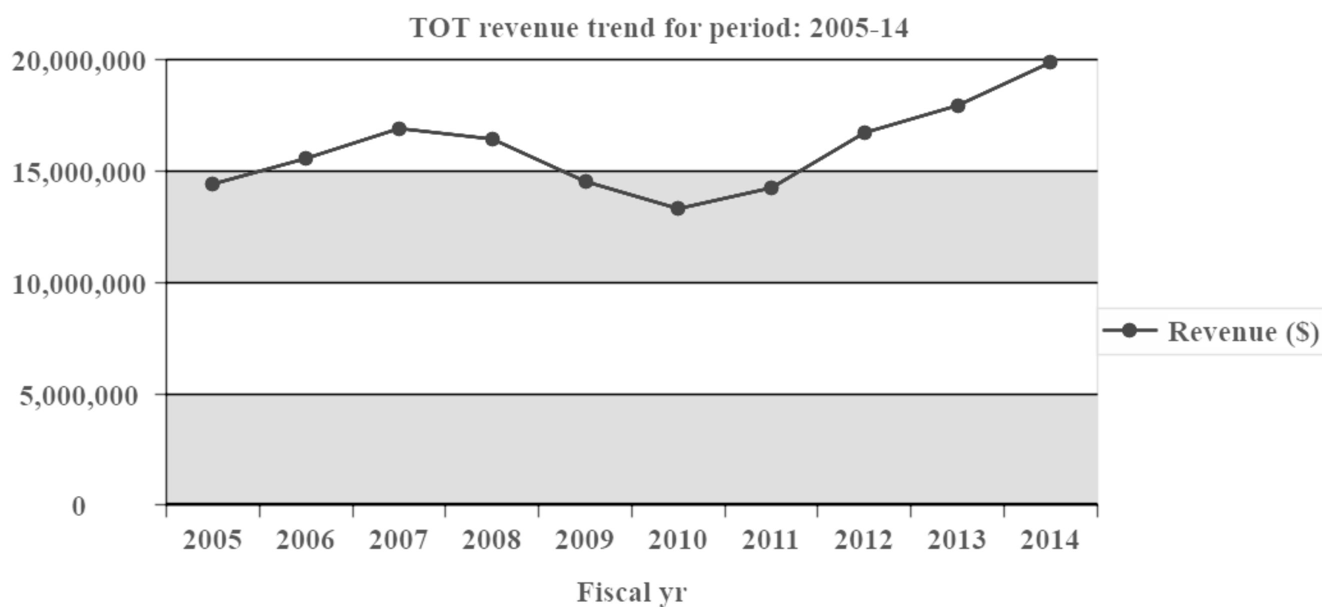
Method changed from calendar to Fiscal Year in FY 10-11

Schedule 10

COUNTY OF MONTEREY

Transient Occupancy Tax
Actual Receipts
Last Ten Fiscal Years

Fiscal Year	Annual Revenue ($)	Growth Rate
2005	14,420,192	7.19%
2006	15,569,105	7.97%
2007	16,912,274	8.63%
2008	16,441,176	-0.05%
2009	14,533,941	-11.60%
2010	13,312,712	-8.40%
2011	14,249,048	7.03%
2012	16,722,512	17.36%
2013	17,945,479	7.31%
2014	19,881,258	10.79%



Source:

Monterey County Treasurer- Tax Collector Transient Occupancy Tax Statements up to FY 2012

Financial system data effective FY 2013.

COUNTY OF MONTEREY

Ratios of Outstanding Debt by Type
Last 10 years (in thousands, except per capita)
As of fiscal year 2012 - 13

	Governmental Activities								Business-Type Activities					
Fiscal Year	Certificates of Participation	Capital Leases	RDA Notes	Revenue Bonds	Long Term Loans	Special Assess. Bonds	General Obligation Bonds	Judgment Obligation Bonds	Certificates of Participation	Capital Leases	Long Term Loans	Total Primary Gov (1)	Per Capita (2)	Percentage of Personal Income (2)
2005	89,285	205	115	1,477	34,986	175	10	6,750	80,260	-	-	213,263	503	1.52 %
2006	87,470	252	953	1,177	33,948	171	5	6,095	77,495	-	-	207,566	489	1.43 %
2007	144,400	223	621	1,131	32,910	166	-	5,425	75,950	-	-	260,826	636	1.66 %
2008	139,570	158	574	1,082	47,939	161	-	4,730	73,610	2,624	-	270,448	639	1.67 %
2009	136,260	253	418	33,901	45,122	156	-	4,015	71,265	1,449	-	292,839	720	1.71 %
2010	132,800	256	36	33,848	43,365	150	-	3,275	67,995	83	-	281,808	687	1.62 %
2011	137,689	151	36	33,241	41,445	143	-	2,505	66,615	-	13,571	295,396	712	1.68 %
2012	133,385	459	-	32,613	39,543	136	-	1,705	63,890	-	10,666	282,397	669	1.63 %
2013	128,870	132	-	32,956	37,594	129	-	870	58,286	-	7,699	266,536	625	1.45 %
2014	124,134	76	-	31,277	35,597	121	-	-	58,130	-	4,668	254,003	592	1.32 %

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Includes all debt shown for Government and Business-Type Activities

(2) Population and total personal income can be found in Schedule 15 - Demographics and Economic Statistics

COUNTY OF MONTEREY
Legal Debt Margin Information
Last 10 Fiscal Years (in thousands)

June 30, 2014Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2014	
Net assessed value	51,547,064
Debt Limit 1.25% of net assessed value	$644,338
Debts applicable to limit:	
General Obligation bonds	$0
Less: Amount set aside for	$0
repayment of debt	$0
Net debt applicable to limit	$0
Legal Debt Margin	$644,338

	Fiscal Year Ended June 30									
Fiscal	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt Limit	644,338	622,541	615,333	613,996	640,385	663,502	648,052	598,958	538,368	486,398
Less: Total Net Debt Applicable to Limit	0	0	0	0	0	0	0	0	5	10
Legal Debt Margin	644,338	622,541	615,333	613,996	640,385	663,502	648,052	598,958	538,363	486,388
Total net debt applicable to the limit as a percentage of debt limit	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Notes:

1. Article XIII A of the California State Constitution and Senate Bill 1656, Statutes of 1978, provided for changing assessed value from 25% of cash value to full cash value. Hence, the 5% limitation on general obligation bond indebtedness imposed by Section 29909 of the Government Code become 1.25% of assessed value
2. For net assessed value refer to Schedule 5 "Assessed Value and Actual Value of Taxable Property"
3. Re-Stated due to 2010 misstated Assessed Values, corrected post 09/10 CAFR.

Schedule 13

COUNTY OF MONTEREY
Pledged Revenue Coverage
Last Ten Fiscal Years
As of Fiscal Year 2013 - 14

	Sanitation Revenue Bonds					
				Debt Service		
Fiscal Year Ended June 30	Sanitation Charges and Other	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2005	$ 898,415	$ 958,726	$ (60,311)	$ 43,000	$ 63,250	$ (0.57)
2006	1,071,888	1,156,509	(84,621)	45,000	61,100	(0.80)
2007	1,226,772	1,488,878	(262,106)	46,000	58,850	(2.50)
2008	1,325,204	1,210,923	114,281	49,000	56,550	1.08
2009	1,221,319	1,337,849	(116,530)	52,000	54,100	(1.10)
2010	1,312,106	1,115,506	196,600	53,000	51,500	1.88
2011	1,204,279	1,321,821	(117,542)	57,000	48,750	(1.11)
2012	1,257,397	1,320,702	(63,305)	59,000	45,350	(0.61)
2013	1,166,240	1,236,358	(70,118)	62,000	42,950	(0.67)
2014	1,611,549	1,158,715	452,834	66,000	39,850	4.28

	Water Revenue Bonds					
				Debt Service		
Fiscal Year Ended June 30	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Principal[1]	Interest	Coverage
2005	$ -	$ -	$ -	$ -	$ -	$ -
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	2,120,037	-	2,120,037	-	-	-
2010	2,028,699	912,582	1,116,117	-	1,597,913	0.70
2011	2,110,335	4,077	2,106,258	550,000	1,586,913	0.99
2012	2,050,681	4,277	2,046,404	570,000	1,564,513	0.96
2013	2,107,965	3,902	2,104,063	595,000	1,544,188	0.98
2014	2,137,961	-	2,137,961	615,000	1,522,963	1.00

	Special Assessment Bonds			
		Debt Service		
Fiscal Year Ended June 30	Special Assessment Collections	Principal	Interest	Coverage
2005	$ 13,737	$ 4,000	$ 11,284	$ 0.90
2006	16,836	4,000	11,029	1.12
2007	15,402	5,000	10,742	0.98
2008	14,211	5,000	10,423	0.92
2009	14,560	5,000	10,104	0.96
2010	14,696	6,000	9,754	0.93
2011	14,714	7,000	9,499	0.89
2012	14,402	7,000	8,888	0.91
2013	14,314	7,000	8,437	0.93
2014	14,596	8,000	7,958	0.91

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements. Sanitation, Water, and Other charges include property tax revenues and investment earnings. Where expenses exceed revenues in any one year, excess revenues from prior years (Fund Balance) were used to meet debt requirements.

[1] No principal payments are scheduled until FY2011

Schedule 14

COUNTY OF MONTEREY
Direct and Overlapping Bonded Debt
As of June 30, 2014
(amounts expressed in hundreds)

2013-14 Assessed Valuation (includes unitary utility valuation)			$ 51,547,064,585
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	(1)	Percentage Applicable	Debt at June 30, 2014
Hartnell Community College District		99.798 %	$ 118,353,970
Monterey Peninsula Community College District		100	116,362,154
Carmel Unified School District		100	34,343,445
Monterey Peninsula Unified School District		100	53,970,988
North Monterey County Unified School District		100	31,190,000
Pacific Grove Unified School District		100	48,930,000
Soledad Unified School District		100	7,278,207
South Monterey County Joint Union High School District		98.792	9,380,300
Salinas Union High School District and School Facilities Improvement District		100	40,873,891
Alisal Union School District		100	34,605,293
Greenfield Union School District		100	9,418,483
Salinas City School District		100	24,560,000
Santa Rita Union School District		100	22,349,523
Washington Union School District		100	12,300,000
Other School Districts		Various	46,963,764
City of Marina		100	8,260,000
City of Pacific Grove		100	350,000
Soledad Community Hospital District		100	1,100,000
Community Facilities Districts		100	3,637,542
City 1915 Act Bonds		100	16,985,000
Special District 1915 Act Bonds		100	4,710,000
Monterey County Water Resources Agency Benefit Assessment District Zone 2C		**100**	**30,525,000**
Monterey County Special Assessment Bonds		**100**	**121,000**
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 676,568,560
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Monterey County Certificates of Participation		**100 %**	**$ 124,134,432**
Monterey County Revenue Bonds		**100**	**751,000**
Monterey County Board of Education Certificates of Participation		100	1,805,000
North Monterey County Unified School District Certificates of Participation		100	12,520,000
South Monterey County Joint Union High School District General Fund Obligations		98.792	12,912,114
Other School District General Fund Obligations		Various	19,691,245
City of Carmel General Fund Obligations		100	6,725,000
City of Carmel Pension Obligations		100	5,585,000
City of Gonzales General Fund Obligations		100	4,245,000
City of Marina Pension Obligations		100	1,995,000
City of Monterey General Fund Obligations		100	8,800,000
City of Pacific Grove Pension Obligations		100	11,336,178
City of Salinas Certificates of Participation		100	37,095,000
City of Seaside Pension Obligations		100	5,715,000
Monterey County Fire Protection District Pension Obligations		100	8,595,000
Pajaro/Sunny Mesa Community Services District General Fund Obligations		100	395,000
TOTAL DIRECT AND OVERLAPPING GENERAL GOVERNMENT DEBT			$ 262,299,969
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)		100 %	$ 83,143,958
TOTAL DIRECT DEBT			**$ 155,531,432**
TOTAL OVERLAPPING DEBT			866,481,055
COMBINED TOTAL DEBT		(2)	$ 1,022,012,487
Ratios to 2013-2014 Assessed Valuation:			
Total Direct and Overlapping Tax and Assessment Debt		1.31 %	
Total Direct Debt (155,531,432)		0.30 %	
Combined Total Debt		1.98 %	
Ratios to Redevelopment Incremental Valuation ($4,084,372,642):			
Total Overlapping Tax Increment Debt		2.04 %	

Notes:

1. Percentage of overlapping debt applicable to county is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the county divided by the district's total taxable assessed value.
2. Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Schedule 15

COUNTY OF MONTEREY
Demographics and Economic Statistics
Last Ten Fiscal Years

Calendar Year	(1) Population	(2) Per Capita Income	(3) Total Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2004	408,867	$ 33,952	$ 14,074,798	34.5	73,863	8.3 %
2005	405,090	34,172	14,519,770	36.1	71,971	7.4 %
2006	401,374	38,193	15,667,000	31.9	69,851	7.0 %
2007	402,116	38,373	15,586,498	32.1	69,838	7.1 %
2008	405,660	42,144	17,205,000	32.3	69,828	8.4 %
2009	410,370	42,356	17,381,644	32.4	70,523	11.8 %
2010	415,057	42,176	17,574,000	32.8	70,949	12.8 %
2011	421,898	41,138	17,355,940	33.0	72,666	12.4 %
2012	426,762	43,034	18,365,298	33.0	73,460	11.4 %
2013	428,826	$ 44,851	$ 19,233,171	33.4	74,684	10.1 %

Sources:

1. U.S. Census Bureau-As of July 1, 2013, Released March 2014
2. U.S. Department of Commerce, Bureau of Economic Analysis
3. U.S. Department of Commerce, Bureau of Economic Analysis (in thousands).
4. U.S. Census Bureau, American Community Survey
5. California Department of Education, Education Demographics Unit for 2013-14
6. California Employment Development; Labor Market Info Division

Notes:

Population data estimates are as of July 2013

Per capita personal income was computed using preliminary Census Bureau midyear population estimates.

Total personal income is in thousand of dollars

School enrollment data includes Kindergarten through grade 12

Unemployment rate is based on annual rate

Schedule 16

COUNTY OF MONTEREY

Major Industries by Number of Businesses, Employees and Payroll
Last Ten Years

MSA and Industry	2004 Total	2005 Total	2006 Total	2007 Total	2008 Total	2009 Total	2010 Total	2011 Total	2012 Total	2013 Total
SALINAS MSA										
Total										
No.of Businesses	11,270	11,167	11,543	11,547	12,249	11,770	10,668	12,022	11,195	11,717
No.of Employees	149,475	150,590	150,949	150,960	152,283	146,140	148,321	150,224	155,869	158,846
Payroll (in thousands)	1,162,537	1,253,718	1,275,051	1,274,537	1,354,222	1,283,015	1,341,043	1,406,249	1,450,658	1,507,712
Agriculture										
No.of Businesses	602	584	577	571	564	546	529	529	532	540
No.of Employees	1,078	51,053	51,097	52,341	52,848	54,635	56,258	58,401	60,673	62,874
Payroll (in thousands)	307,580	336,288	342,021	369,556	367,621	380,582	416,294	448,534	472,663	520,761
Utilities										
No.of Businesses	24	25	26	25	23	21	19	20	21	21
No.of Employees	480	528	569	553	498	500	482	557	868	872
Payroll (in thousands)	9,756	9,714	8,836	9,265	10,210	11,086	10,735	14,754	19,317	21,089
Construction and Mining										
No.of Businesses	995	965	1,012	991	972	930	866	824	787	825
No.of Employees	6,920	6,886	7,367	7,101	6,032	4,578	4,314	3,997	4,673	4,823
Payroll (in thousands)	71,493	73,121	80,519	81,141	72,734	59,777	54,275	51,117	58,685	62,188
Manufacturing										
No.of Businesses	293	283	281	267	251	255	256	244	248	265
No.of Employees	7,043	6,735	6,274	6,163	6,017	5,861	5,457	5,869	5,287	5,439
Payroll (in thousands)	73,187	73,030	65,346	64,045	62,193	56,038	57,445	66,066	63,429	59,826
Wholesale Trade										
No.of Businesses	411	408	429	421	404	402	391	377	377	368
No.of Employees	4,710	5,016	4,938	4,987	5,313	4,940	5,281	5,120	5,480	5,227
Payroll (in thousands)	59,857	71,940	69,628	72,518	77,892	74,947	79,735	83,299	88,422	92,922
Retail Trade										
No.of Businesses	1,358	1,300	1,330	1,290	1,272	1,221	1,227	1,200	1,195	1,175
No.of Employees	16,969	16,828	16,688	17,045	16,661	14,877	15,251	15,530	15,812	16,144
Payroll (in thousands)	114,448	120,898	120,907	123,776	123,527	107,453	111,004	122,602	120,195	120,072
Transportation and Warehousing										
No.of Businesses	240	231	248	250	250	241	239	227	230	239
No.of Employees	2,814	2,955	2,925	3,228	3,152	3,032	2,942	2,715	3,085	3,309
Payroll (in thousands)	26,107	28,851	28,644	34,636	36,686	34,856	36,081	36,164	37,895	40,049
Information										
No.of Businesses	119	117	116	105	107	98	106	99	102	102
No.of Employees	2,307	2,310	2,163	2,137	2,052	1,671	1,619	1,532	1,525	1,517
Payroll (in thousands)	31,249	33,578	33,618	35,997	31,165	24,735	23,894	24,061	23,229	23,947
Finance and Insurance										
No.of Businesses	375	388	389	398	393	363	367	363	345	333
No.of Employees	3,711	3,757	3,816	3,819	3,548	2,857	2,630	2,528	2,480	2,235
Payroll (in thousands)	50,791	63,242	63,144	69,518	68,173	47,648	46,824	43,452	46,190	43,238
Real Estate, Rental and Leasing										
No.of Businesses	428	432	445	420	407	393	386	360	369	380
No.of Employees	2,313	2,364	2,497	2,243	1,940	1,730	1,745	1,654	1,753	1,639
Payroll (in thousands)	20,400	21,537	22,315	21,402	17,372	15,087	15,752	17,044	17,891	18,071
Services										
No.of Businesses	6,415	6,425	6,681	7,900	7,233	7,300	7,509	7,779	6,989	7,469
No.of Employees	50,917	51,966	52,414	65,328	53,496	51,459	52,342	52,321	54,233	54,767
Payroll (in thousands)	395,309	418,089	436,331	598,670	479,053	470,805	489,004	499,157	502,741	505,549

Source: Employment Development, Labor Market Information

Notes:

1. Data are confidential if there are fewer that 3 businesses in a category or one employer makes up 80 percent or more of the employment in a category
2. Data are suppressed because confidential data could be extrapolated if these totals were included
3. Figures are as per third quarter of the calendar year.
4. Data do not include totals of government employment
5. Rules instituted by the Federal Bureau of Labor Statistics after September 11, prohibit state departments of labor or economic security from publicly identifying the names of individual employers. County of Monterey has removed the Major Employers' data from the statistical section. GASB Statement No 44 allows employment by industry data to be published insead of Major Employers' data.
6. Mining industry has been combined with the Construction industry starting in 2009

Schedule 17

COUNTY OF MONTEREY
Full-Time Equivalent County Government Employees by Function/Program
Approved Budget Positions

	Fiscal Year Ended June 30,									
Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	462.0	489.0	492.0	485.0	507.0	472.5	454.5	425.6	440.5	593.8
Public protection	1,319.0	1,343.0	1,397.0	1,396.0	1,274.0	1,224.5	1,176.0	1,052.0	1,147.0	1,193.0
Public ways and facilities	150.0	153.0	135.0	135.0	373.0	339.0	298.5	277.5	273.5	123.0
Health and sanitation	688.0	757.0	820.0	814.0	863.0	809.8	772.9	761.3	793.8	851.0
Public assistance	759.0	775.0	781.0	781.0	817.0	806.0	842.0	751.2	802.0	862.0
Recreation and Education	136.0	140.0	145.0	145.0	169.0	153.5	143.0	139.0	140.0	137.0
Hospital	775.0	799.0	754.0	754.0	785.0	770.9	840.1	839.0	863.4	886.1
Total governmental positions	4,289.0	4,456.0	4,524.0	4,510.0	4,788.0	4,576.2	4,527.0	4,245.6	4,460.2	4,645.9
Special District:										
Water Resource Agency	60.0	60.0	60.0	60.0	60.0	63.0	63.0	63.0	55.0	55.0
Total Positions:	4,349.0	4,516.0	4,584.0	4,570.0	4,848.0	4,639.2	4,590.0	4,308.6	4,515.2	4,700.9

Source: Monterey County Adopted Budget Book Position Information

Note: Public ways and facilities include Resources Management Agency.

Schedule 18

COUNTY OF MONTEREY
Operating Indicators by Function/ Program
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GENERAL GOVERNMENT										
Assessor										
Deeds processed	26,309	24,903	20,460	16,555	18,331	18,504	16,789	15,991	15,280	14,000
Recorder -County Clerk										
Documents recorded	138,690	137,348	114,673	94,913	88,153	85,686	86,769	85,915	91,818	76,016
Marriage licenses issued	3,123	3,067	2,990	2,913	2,828	2,625	2,889	2,842	2,814	3,226
Fictitious business names filed	2,059	3,040	3,097	2,719	2,625	2,664	2,815	2,486	2,342	2,585
PUBLIC PROTECTION										
Emergency Communications										
911 and non-emergency calls	600,000	612,000	650,000	614,295	650,000	650,000	611,666	674,576	623669	614,476
CAD incidents	560,422	560,26	560,000	560,000	560,000	597,303	588,077	571,100	568587	590,777
CAD comments	unavail	unavail	unavail	unavail	unavail	6,870,241	6,626,719	6,248,264	6234231	6,456,516
District Attorney's Office										
Felonies and misdemeanors reviewed	17,146	18,348	18,250	16,123	16,523	14,139	16,126	14,517	13,311	19,248
Child Support Services										
Cases	21,370	20,266	19,860	19,709	19,639	19,366	18,184	18,065	17,085	16,477
Public Defender										
Felonies	3,798	4,592	5,289	5,977	4,756	5,689	5,835	5,706	6,070	5,937
Misdemeanors	6,859	8,170	7,322	7,834	7,556	10,545	10,643	10,069	9,617	8,197
Juveniles	2,143	1,091	999	929	2,632	2,185	2,384	2,155	1,775	1,416
Mental Health and Probate	unavail	unavail	unavail	unavail	unavail	unavail	unavail	unavail	265	385
Court Assigned Counsel										
Felonies	952	986	991	996	unavail	824	645	694	806	604
Misdemeanors	573	609	640	678	unavail	491	428	481	505	312
Juveniles	211	190	198	184	unavail	512	548	378	202	97
Truancy Filings/Appearances	unavail	unavail	unavail	unavail	unavail	unavail	unavail	unavail	312 / 1,761	324 / 1,548
Sexual Violent Predators (SVP)	unavail	unavail	unavail	unavail	4	1	1	2	0	0
State Prison Cases	unavail	unavail	unavail	unavail	unavail	unavail	unavail	unavail	unavail	64
Sheriff -Administration and Enforcement Bureau										
Warrants reviewed	14,538	15,348	15,900	14,890	11,784	11,622	9,629	9,967	10,406	9,850
Felony and misdemeanor offenses reported	5,181	5,447	5,475	5,818	5,474	5,272	4,120	4,334	4,574	4,807

COUNTY OF MONTEREY
Operating Indicators by Function/ Program
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sheriff- Joint Gang Task Force										
Felony and misdemeanor arrests	437	573	653	717	545	625	527	372	254	274
Task Force and/or Gang Awareness	12	24	55	55	52	29	11	12	19	10
Sheriff- Custody Operations Bureau										
Prisoners booked	17,919	17,144	16,963	17,434	17,252	15,982	15,035	12,052	13,257	11,388
Average daily prisoner population	1,100	1,153	1,152	1,085	1,037	1,018	1,051	1,040	1,145	1,001
Court transportation	24,848	25,866	25,387	237,770	21,890	22,743	24,239	22,092	24,301	22,054
Probation										
Juvenile referrals	2,892	3,034	3,034	2,841	2,736	3,102	5,043	2,585	1706	1,526
Standard reports	2,652	3,581	3,637	3,460	3,228	3,246	2,464	2,547	2955	3,138
Supervision	7,089	7,995	8,079	8,485	8,714	9,011	7,319	8,074	7027	6,911
Juvenile Institutions and Alternative Program										
Admissions	16,335	1,284	1,285	1,323	1,438	1,376	1,406	1,461	1,540	1,479
Sheriff-Coroner										
Total investigations	1,064	1,064	1,015	1,039	994	994	1,045	1,054	1,010	998
Coroner's cases	348	287	279	309	320	315	301	302	379	300
Planning										
Discretionary permits initiated	411	748	852	911	751	561	561	703	807	866
Building Services										
Building and grading permits	3,906	3,681	3,425	2,905	2,614	2,273	2,025	2,177	2,216	2,452
Plan checks	2,388	2,725	2,468	2,097	1,890	1,141	1,267	1,195	1,268	2,412
Building inspections	25,154	26,939	20,901	17,475	15,725	9,685	12,659	8,876	9,350	12,024
PUBLIC WAYS AND FACILITIES:										
Public Works										
Road miles maintained	1,240	1,240	1,240	1,240	1,240	1,157	1,157	1,234	1,234	1,234
Bridges maintained	173	173	173	173	173	173	173	173	173	174
Water Resources	-	-	-	-	-	-	-	-	-	-
Total water deliveries- acre- feet	17,754	16,663	21,245	23,155	21,598	17,355	19,992	20,446	22,240	23,822
Nacimiento Hydro Project kilowatt hours	13,118,178	17,427,225	16,928,820	12,138,366	10,150,151	9,905,705	15,613,560	14,326,724	4,996,952	3,462,300

Schedule 18

COUNTY OF MONTEREY
Operating Indicators by Function/ Program
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
HEALTH AND SANITATION										
Animal Field Services										
Licenses sold / Citations issued	7,287	7,724	7,340	7,367	7,400	3,000	7,364	8,065	6,026	5,908
Service calls	3,684	6,050	7,450	7,220	7,500	7,000	6,164	3,281	3,451	3,120
Animals admitted to shelter	4,364	4,083	3,947	3,654	3,750	2,900	4,592	4,124	3,853	3,023
Health										
Public health nursing home visits	8,736	9,110	2,805	6,943	9,918	13,380	15,066	14,908	9,140	7,781
Laboratory tests	59,406	60,553	37,563	37,475	37,489	42,000	42,780	33,226	35,058	37,392
Clinic Services										
Primary care clinic visits	99,971	118,165	150,200	145,705	152,942	163,544	162,969	169,645	169,144	159,519
Mental Health										
Inpatient services (days)	17,572	1,345	1,350	2,663	2,700	1,940	4,566	2,941	2,369	2,645
Locked facilities (days)	8,042	13,888	13,888	12,042	12,100	8,130	2,434	12,237	9,841	12,757
Public Guardian										
Conservatorship cases	n/a	n/a	239	240	240	263	363	325	348	353
Representative payee cases	n/a	n/a	370	381	381	394	407	421	424	382
Alcohol and Drug Programs										
Methadone maintenance dosing	54,958	50,509	49,825	52,416	52,077	46,431	46,117	49,355	50,926	58,321
Narcotic treatment program counseling	19,086	23,021	24,338	23,406	22,892	25,292	25,557	26,720	27,737	31,180
Residential bed days	55,530	79,426	54,521	54,885	49,686	39,091	25,842	24,947	23,860	26,962
Children's Medical Services										
CCS Referrals reviewed for medical eligibility	2,013	2,476	4,641	2,894	2,818	3,000	3,195	2,267	2,152	2,072
CCS Referrals opened for medical services	1,006	770	1,296	1,810	1,538	1,820	2,012	1,343	1,226	1,036
CHDP review preventive health screens	15,557	17,527	15,450	11,711	14,143	14,200	11,525	13,675	19,332	19,408
CHDP patient tracking for follow-up screens 2751	2,642	2,718	3,561	2,234	2,174	2,300	1,906	1,798	2,153	2,751
PUBLIC ASSISTANCE										
Social Services										
Food Stamps and Medi-Cal	27,764	29,200	29,913	32,795	36,133	38,335	42,079	44,588	48,133	49,369
CWS permanent placement	306	303	328	299	289	264	202	179	155	189
Adult Protective Services & In-Home Supportive Services	2,694	2,809	3,108	3,361	3,618	3,801	3,885	3,994	3,974	3,933

COUNTY OF MONTEREY
Operating Indicators by Function/ Program
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CalWORKs/TANF Benefits Caseloads										
Ongoing	4,359	4,518	4,389	4,583	5,160	5,737	6,122	6,147	5,905	5,709
Employment services	1,373	1,137	2,436	2,538	2,883	3,244	3,482	3,559	3,921	2,968
Childcare services	273	247	334	360	406	419	357	329	204	210
Out-of-Home Care, Average Monthly Caseload										
Foster care ongoing	462	535	504	534	478	387	295	290	347	387
Court dependent children	4	4	4	6	4	3	7	8	1	2
Aid to adoptions	578	609	644	702	731	757	720	708	675	660
In-Home Support Services- Client Services paid cases										
Personal care services program	2,112	2,418	2,615	2,859	3,129	3,233	3,339	3,450	3,412	3,198
Residual/ Waiver Plus	581	391	382	384	399	436	452	455	470	552
Aid to Indigents										
Regular general assistance	148	110	125	151	329	394	484	617	699	673
Military and Veterans Affair caseload items										
Claims filed	2,191	1,878	1,745	1,793	1,409	1,544	1,546	1,125	1,413	1,470
Veterans transported to VA Medical	2,790	884	1,350	1,612	1,095	952	1,007	888	1,016	1,056
EDUCATION										
Library										
Customers visiting library	642,226	694,259	826,716	942,871	1,085,041	996,045	950,922	958,852	831,445	898,762
Customers using library computers	162,531	187,651	229,676	245,082	259,731	275,344	223,855	276,000	162,313	168,432
RECREATION AND CULTURAL SERVICES										
Parks										
Visitors	624,759	619,301	841,410	678,930	672,467	533,264	501,867	702,018	1,113,456	989,569

Notes:

Data for prior years may change as more updated information becomes available

Schedule 19

COUNTY OF MONTEREY
Capital Asset Statistics
Last Ten Fiscal Years
For Fiscal Year Ended June 30, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
General Government											
Buildings	19	21	21	15	11	11	14	14	14	14	
Vehicles	-	125	134	114	113	112	76	127	92	83	
Heavy Equipment	-	17	13	2	7	9	3	3	7	6	
Communication Tower	-	-	-	-	-	6	6	6	6	6	
Public Protection											
Buildings	20	19	23	27	26	26	24	25	25	25	
Vehicles	468	493	484	553	411	453	458	473	450	447	
Boats	-	-	-	-	-	-	2	2	1	1	(1)
Heavy Equipment	-	36	58	3	-	24	48	48	49	13	
Public Ways & Facilities (Road Dept)											
Bridges	123	171	171	173	171	173	173	173	173	174	
Culverts (ft)	218,749	218,749	218,749	219,943	219,943	218,749	218,749	218,749	218,749	218,749	
Drain System Inlets	226	226	226	977	977	226	230	230	230	230	
Drain System Pipe (ft)	68,752	68,752	68,752	68,752	68,752	68,752	68,752	68,752	68,752	68,752	
Fuel Stations	3	3	3	3	3	3	3	3	3	3	
Heavy Road Equipment	44	45	44	46	84	76	60	83	83	95	
Lift Stations	2	16	21	18	16	21	15	15	15	15	
Maintained Road Miles (paved)	1,239	1,100	1,099	1,100	1,100	1,157	1,157	1,234	1,234	1,234	
Maintenance District Facility Buildings	5	5	5	5	5	5	5	5	5	5	
Public Parks & Open Space Acreage	4	4	4	8	8	4	4	4	4	4	
Road Lane Miles	2,611	2,611	2,611	2,480	2,480	2,611	2,611	2,611	2,611	2,611	
Sanitary Heavy Equipment	2	2	2	1	1	2	1	1	1	1	
Sanitary Sewer Lines(miles)	54	44	60	45	30	60	60	42	42	42	
Street Light	106	1,026	-	835	850	113	111	132	132	132	
Traffic Signals	40	20	20	30	24	39	21	21	28	28	
Vehicles	-	111	89	125	71	102	133	73	100	74	
Water Resources											
Dams	2	2	2	2	2	2	2	2	2	2	
Salinas River Diversion Facility	-	-	-	-	-	1	1	1	1	1	
Heavy Equipment	6	6	7	7	7	7	7	6	6	10	
Hydro-Electric Plants	1	1	1	1	1	1	1	1	1	1	
Levees	1	1	1	1	1	1	1	1	1	1	
Pump Stations	2	5	5	5	5	5	5	5	5	5	
Reclamation Ditches	1	1	1	1	1	1	1	1	1	1	
Vehicles	24	29	29	30	27	29	29	28	27	22	
Petrero Tide Gate	-	1	1	1	1	1	1	1	1	1	
Homes	-	2	2	2	2	2	2	2	2	2	
Pipe Miles	-	50	50	50	50	50	50	50	50	50	
Wells	-	21	21	21	21	21	21	21	21	21	
Booster Pumps	-	3	3	3	3	3	3	3	3	3	

Schedule 19

COUNTY OF MONTEREY

Capital Asset Statistics
Last Ten Fiscal Years
For Fiscal Year Ended June 30, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Health										
Buildings	32	7	15	7	8	15	14	14	14	14
Vehicles	94	131	171	161	33	148	145	151	130	120
Public Assistance										
Buildings	1	1	1	1	1	5	5	2	1	1
Vehicles	75	107	114	114	101	118	105	108	104	100
Recreation and Cultural Services										
Basketball courts	1	1	1	1	1	1	1	1	1	1
Boats	14	14	14	15	15	15	13	13	15	34
Buildings	159	175	175	178	175	176	176	176	176	176
Heavy Equipment	34	286	317	27	28	34	34	34	34	37
Lakes Acres	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Land Acres	12,155	12,155	12,155	12,750	12,750	12,750	13,566	13,566	14,325	16,873
Parks	7	7	7	7	9	9	9	9	10	10
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Vehicles	88	94	85	126	107	130	120	120	117	112
Communication Tower	-	-	-	-	1	1	1	1	1	1
Education										
Bookmobiles	3	3	3	3	3	3	4	3	3	3
Buildings	5	4	5	4	5	6	6	6	3	3
Vehicles	-	15	17	19	17	14	15	15	15	17
Heavy Equipment	-	-	-	-	-	-	-	-	-	1 (1)

Source:

Owned buildings and parcels from General Services "Real Property Specialist Reports".

Vehicles & Heavy Equipment from General Services "Fleet Focus Equipment Inventory List".

Departmental Records

Note:

Reporting differences in assets between fiscal years due to updated information sources.

(1) information not previously reported

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Ground Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement is made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and is qualified in its entirety by reference to the full terms of the Ground Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement, copies of which may be obtained from the Trustee.

DEFINITIONS

"Acquisition Costs" means all costs of acquiring, constructing, rehabilitating and installing the Project, including but not limited to:

(a) all costs which the County shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of the Project;

(b) all costs which the County shall be required to pay a contractor or any other Person for the acquisition, construction, rehabilitation and installation of the Project;

(c) obligations of the County incurred for services (including obligations payable to the County for actual out-of-pocket expenses of the County) in connection with the acquisition, construction, rehabilitation and installation of the Project, including Costs of Issuance and reimbursement to the County for all advances and payments made in connection with the Project prior to or after delivery of the Certificates;

(d) the actual out-of-pocket costs of the County for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction, rehabilitation and installation of the Project, including administrative expenses under the Lease Agreement and the Trust Agreement relating to the acquisition, construction, rehabilitation and installation of the Project; and

(e) any sums required to reimburse the County for advances made by the County for any of the above items or for any other costs incurred and for work done by the County which are properly chargeable to the Project.

"Acquisition Fund" means the fund by that name established in accordance with the Trust Agreement.

"Additional Rental Payments" means all amounts payable by the County as Additional Rental Payments pursuant to the Lease Agreement.

"Assignment Agreement" means the Assignment Agreement, dated as of August 1, 2015, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee.

"Authorized Corporation Representative" means the President, the Vice President, the Chief Financial Officer/Treasurer and the Secretary of the Corporation, and any other Person authorized by the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Trust Agreement.

"Authorized County Representative" means the County Administrative Officer of the County, the Auditor-Controller of the County, the Treasurer of the County, the Deputy Auditor-Controller, County Debt Manager, of the County, and any other Person authorized by the Board of Supervisors of the County to act on behalf of the County under or with respect to the Trust Agreement.

"Authorized Denominations" means $5,000 and whole multiples thereof.

“Base Rental Deposit Date” means the second Business Day next preceding each Interest Payment Date.

“Base Rental Payment Fund” means the fund by that name established in accordance with the Trust Agreement.

“Base Rental Payment Schedule” means the schedule of Base Rental Payments payable by the County pursuant to and attached to the Lease Agreement.

“Base Rental Payments” means all amounts payable to the Corporation by the County as Base Rental Payments pursuant to the Lease Agreement.

“Beneficial Owners” means those Persons for whom the Participants have caused the Depository to hold Book-Entry Certificates.

“Book-Entry Certificates” means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the registered owner thereof pursuant to the terms and provisions of the Trust Agreement.

“Business Day” means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office of the Trustee is located are authorized or required by law to be closed, or (c) a day on which the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

“Certificate Purchase Agreement” means the Certificate Purchase Agreement, dated August __, 2015, by and between the Purchaser and the County relating to the Certificates.

“Certificates” means the County of Monterey Certificates of Participation (2015 Public Facilities Financing) executed and delivered by the Trustee pursuant to the Trust Agreement.

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of August 1, 2015, by and between the County and The Bank of New York Mellon Trust Company, N.A., as Trustee, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Corporation” means the County of Monterey Public Improvement Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State, and its successors.

“Costs of Issuance” means all the costs of executing and delivering the Certificates, including, but not limited to, printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel (including the Trustee’s first annual administrative fee), fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Certificates and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

“Costs of Issuance Fund” means the fund by that name established in accordance with the Trust Agreement.

“County” means the County of Monterey, a county and political subdivision of the State organized and existing under the laws of the State, and its successors.

“Courthouse Project” means the acquisition, construction, rehabilitation and installation of the facilities described under the caption “Courthouse Project” in the Lease Agreement.

"Defeasance Securities" means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or (b) obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity.

"Delivery Date" means August __, 2015.

"Depository" means the securities depository acting as Depository pursuant to the Trust Agreement.

"DTC" means The Depository Trust Company, New York, New York and its successors.

"Event of Default" means, with respect to the Trust Agreement, any event or circumstance specified in the Trust Agreement as an Event of Default and, with respect to the Lease Agreement, any event or circumstance specified in the Lease Agreement as an Event of Default.

"Fair Rental Value" means, with respect to the Property, the annual fair rental value thereof.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the County.

"Fitch" means Fitch Ratings, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the County.

"Ground Lease" means the Ground Lease, dated as of August 1, 2015, by and between the County and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Lease Agreement.

"Independent Insurance Consultant" means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the County is to be self-insured, as may from time to time be designated by the County.

"Interest Fund" means the fund by that name established in accordance with the Trust Agreement.

"Interest Payment Date" means April 1 and October 1 of each year commencing April 1, 2016.

"Lease Agreement" means the Lease Agreement, dated as of August 1, 2015, by and between the County and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Letter of Representations" means the letter of the County delivered to and accepted by the Depository on or prior to the delivery of the Certificates as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

"Mandatory Sinking Account Payment" means the principal evidenced by Certificates required to be paid on each Mandatory Sinking Account Payment Date pursuant to the Trust Agreement.

"Mandatory Sinking Account Payment Date" means a date on which a Mandatory Sinking Account Payment is required to be paid pursuant to the Trust Agreement.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the County.

"Net Proceeds" means any insurance proceeds or condemnation award in excess of $50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County and satisfactory to and approved by the Trustee.

"Other Property" means the real property described under the caption "Other Property" in the Lease Agreement, and any improvements thereto.

"Outstanding," when used as of any particular time with reference to Certificates, means, subject to the provisions of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—MISCELLANEOUS—Disqualified Certificates," all Certificates except (a) Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Certificates paid or deemed to have been paid within the meaning of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE—Discharge of Trust Agreement" and (c) Certificates in lieu of which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—TERMS AND CONDITIONS OF CERTIFICATES—Certificates Mutilated, Lost, Destroyed or Stolen."

"Owner" means any Person who shall be the registered owner of any Outstanding Certificate as indicated in the Registration Books.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

"Permitted Encumbrances" means with respect to the Property, as of any particular time (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Lease Agreement, permit to remain unpaid, (b) the Lease Agreement, (c) the Ground Lease, (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the County, (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Delivery Date, and (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date which the County certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement.

"Permitted Investments" means the following:

(1) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America);

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances and bank deposit products (so long as such products have the same payment priority as short term certificates of deposit) with domestic commercial banks (which may include the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank), or which are full insured by the Federal Deposit Insurance Corporation;

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including a fund for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1) or (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal obligations rated "Aa/AA1" or general obligations of states with a rating of "A2/A" or higher by both Moody's and S&P;

(9) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "Aa3" by Moody's and "AA-" by S&P; provided, that, by the terms of the investment agreement:

(a) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice;

(b) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(c) the Trustee or the County receive the opinion of domestic counsel that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(d) the investment agreement shall provide that if during its term (i) the provider's rating by either Moody's or S&P falls below "Aa3" or "AA-," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a holder of the collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Moody's and S&P to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A3" or "A-," respectively, the provider must, at the direction of the County or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee;

(e) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of collateral is in possession); and

(f) the investment agreement must provide that if during its term (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the County or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee.

"Person" means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Prepayment Fund" means the fund by that name established in accordance with the Trust Agreement.

"Principal Fund" means the fund by that name established in accordance with the Trust Agreement.

"Principal Office" means (a) the Trustee's corporate trust office in San Francisco, California, except for purposes of the presentation and surrender of Certificates for payment, transfer or exchange, such office shall be the corporate trust agency or operations office of the Trustee, or (b) any other office designated by the Trustee.

"Principal Payment Date" means a date on which the principal component of the Base Rental Payments evidenced by the Certificates is scheduled to become due and payable pursuant to the Lease Agreement, other than by reason of a Mandatory Sinking Account Payment.

"Project" means, collectively, the Courthouse Project and the Schilling Complex Project.

"Property" means the real property described in the Lease Agreement, and any improvements thereto, subject to the provisions of the Lease Agreement relating to the termination of the term of the Lease Agreement with respect to portions of such real property and improvements thereto.

"Purchaser" means Barclays Capital Inc., as underwriter and purchaser of the Certificates pursuant to the Certificate Purchase Agreement.

"Rebate Fund" means the fund by that name established in accordance with the Trust Agreement.

"Rebate Requirement" has the meaning ascribed thereto in the Tax Certificate.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Certificates pursuant to the Trust Agreement.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Rental Payments.

"Rental Period" means the period from the Delivery Date through June 30, 2016 and, thereafter, the twelve month period commencing on July 1 of each year during the term of the Lease Agreement.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the County.

"Scheduled Termination Date" means October 1, 20__.

"Schilling Complex Project" means the acquisition, construction, rehabilitation and installation of the facilities described under the caption "Schilling Complex Project" in the Lease Agreement.

"State" means the State of California.

"Supplemental Trust Agreement" means any supplemental trust agreement that modifies or amends the provisions of the Trust Agreement, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the Tax Certificate executed by the County at the time of execution and delivery of the Certificates relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Trust Agreement" means the Trust Agreement, dated as of August 1, 2015, by and among The Bank of New York Mellon Trust Company, N.A., as Trustee, the Corporation and the County, as originally executed and as it may from time to time be modified or amended by any Supplemental Trust Agreement.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, as Trustee under the Trust Agreement, or any successor thereto as Trustee under the Trust Agreement, substituted in its place as provided in the Trust Agreement.

"Verification Report" means, with respect to the deemed payment of Certificates pursuant to the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE—Certificates

Deemed To Have Been Paid," a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE—Certificates Deemed To Have Been Paid."

"Written Certificate" and **"Written Request"** of the County mean, respectively, a written certificate or written request signed in the name of the County by an Authorized County Representative. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

GROUND LEASE

Lease of Property. The County leases to the Corporation, and the Corporation leases from the County, for the benefit of the Owners of the Certificates, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of the Ground Lease.

Quiet Enjoyment. The parties intend that the Property will be leased back to the County pursuant to the Lease Agreement for the term thereof. Subject to any rights the County may have under the Lease Agreement (in the absence of an event of default) to possession and enjoyment of the Property, the County covenants and agrees that it will not take any action to prevent the Corporation from having quiet and peaceable possession and enjoyment of the Property during the term of the Ground Lease and will, at the request of the Corporation and at the County's cost, to the extent that it may lawfully do so, join in any legal action in which the Corporation asserts its right to such possession and enjoyment.

Waste. The Corporation agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The County and the Corporation agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Ground Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased by the Ground Lease or intended so to be or for carrying out the expressed intention of the Ground Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

Waiver of Personal Liability. (a) All liabilities under the Ground Lease on the part of the Corporation shall be solely liabilities of the Corporation as a nonprofit public benefit corporation, and the County releases each and every director, officer and employee of the Corporation of and from any personal or individual liability under the Ground Lease. No director, officer or employee of the Corporation shall at any time or under any circumstances be individually or personally liable under the Ground Lease to the County or to any other party whomsoever for anything done or omitted to be done by the Corporation under the Ground Lease.

(b) All liabilities under the Ground Lease on the part of the County shall be solely liabilities of the County as a city and municipal corporation, and the Corporation releases each and every member, officer and employee of the County of and from any personal or individual liability under the Ground Lease. No member, officer or employee of the County shall at any time or under any circumstances be individually or personally liable under the Ground Lease to the Corporation or to any other party whomsoever for anything done or omitted to be done by the County under the Ground Lease.

Taxes. The County covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Assignment, Selling and Subleasing. The Ground Lease may be assigned or sold, and the Property may be subleased, as a whole or in part, by the Corporation, without the necessity of obtaining the consent of the County, if an event of default occurs under the Lease Agreement. The Corporation shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the County a true and correct copy of such assignment, sublease or sale, as the case may be.

Restrictions on County. The County agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Ground Lease.

Improvements. Title to all improvements made on the Property during the term of the Ground Lease shall vest in the County.

Term. The term of the Ground Lease shall commence as of the date of commencement of the term of the Lease Agreement and shall remain in full force and effect from such date to and including October 1, 20__, unless such term is extended or sooner terminated as provided in the Ground Lease ; provided, however, that, so long as no Event of Default shall have occurred and be continuing under the Lease Agreement, upon the filing of a Written Certificate of the County stating that the Courthouse Project has been completed and that all costs of the Courthouse Project have been paid, the term of the Ground Lease with respect to the Other Property shall terminate, unless such term is sooner terminated as provided in the Ground Lease, and, from and after the date of such termination, the description of the Other Property set forth in the Ground Lease shall be deemed to have been deleted therefrom and the term "Property" shall, for all purposes of the Ground Lease, be deemed not to include the Other Property.

Extension; Early Termination. If, on October 1, 20__, the Certificates shall not be fully paid, or provision therefor made in accordance with the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE," or the Trust Agreement shall not be discharged by its terms, or if the Rental Payments payable under the Lease Agreement shall have been abated at any time, then the term of the Ground Lease shall be automatically extended until the date upon which all Certificates shall be fully paid, or provision therefor made in accordance with the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE," and the Trust Agreement shall be discharged by its terms, except that the term of the Ground Lease shall in no event be extended more than ten years. If, prior to October 1, 20__, all Certificates shall be fully paid, or provisions therefor made in accordance with the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE," and the Trust Agreement shall be discharged by its terms, the term of the Ground Lease shall end simultaneously therewith.

Assignment. The Corporation and County acknowledge that the Corporation has assigned its right, title and interest in and to the Ground Lease to the Trustee pursuant to the Assignment Agreement. The County consents to such assignment.

LEASE AGREEMENT

LEASE OF PROPERTY; TERM

Lease of Property. (a) The Corporation leases to the County and the County leases from the Corporation the Property, on the terms and conditions set forth in the Lease Agreement, and subject to all Permitted Encumbrances.

(b) The leasing of the Property by the County to the Corporation pursuant to the Ground Lease shall not effect or result in a merger of the County's leasehold estate in the Property as lessee under the Lease Agreement and its leasehold or fee estate, as applicable, in the Property as lessor under the Ground Lease, and the Corporation shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term thereof and of the Lease Agreement. The Lease Agreement shall constitute a sublease with respect to the Property. The leasehold interest in the Property granted by the County to the Corporation pursuant to the Ground Lease is and shall be independent of the Lease Agreement; the Lease Agreement shall not be an assignment or surrender of the leasehold interest in the Property granted to the Corporation under the Ground Lease.

Occupancy; Term. (a) The County shall take possession of the Property on the Delivery Date.

(b) The term of the Lease Agreement shall commence on the Delivery Date and shall end on the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Lease Agreement; provided, however, that, so long as no Event of Default shall have occurred and be continuing under the Lease Agreement, upon the filing of a Written Certificate of the County stating that the Courthouse Project has been completed and that all costs of the Courthouse Project have been paid, the term of the Lease Agreement with respect to the Other Property shall terminate, unless such term is sooner terminated as provided in the Lease Agreement, and, from and after the date of such termination, the description of the Other Property set forth in the Lease Agreement shall be deemed to have been deleted therefrom and the term "Property" shall, for all purposes of the Lease Agreement, be deemed not to include the Other Property.

(c) If all of the Property shall be taken under the power of eminent domain, and the County does not elect to cause alternate real property to be substituted for all or a portion of the Property pursuant to, and in accordance with the provisions of the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—AMENDMENTS; ASSIGNMENT AND SUBLEASING; SUBSTITUTION OR RELEASE—Substitution or Release of the Property," as provided in the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN—Eminent Domain" but, rather, elects to deliver or cause to be delivered any award made in eminent domain proceedings for such taking to the Trustee for the application to the prepayment, pursuant to the Trust Agreement, of all or a portion of the Outstanding Certificates, as provided in the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN—Eminent Domain," then, on the date that possession thereof shall be so taken, the term of the Lease Agreement shall terminate.

(d) If, prior to the Scheduled Termination Date, all Certificates shall be fully paid, or deemed paid in accordance with the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE," then, on the date of such payment or deemed payment, the term of the Lease Agreement shall terminate.

(e) If on the Scheduled Termination Date, the Rental Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the term of the Lease Agreement shall be extended until the date upon which all such Rental Payments shall have been paid in full, except that the term of the Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date.

(f) Upon the termination of the term of the Lease Agreement (other than as provided in the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—DEFAULTS AND REMEDIES—Events of Defaults and Remedies"), and the first date upon which the Certificates are no longer Outstanding, all right, title and interest in and to the Property shall vest in the County. Upon any such termination or expiration, the Corporation shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

RENTAL PAYMENTS

Rental Payments. (a) Rental Payments, consisting of Base Rental Payments and Additional Rental Payments, shall be paid by the County to the Corporation for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid.

(b) The obligation of the County to make the Rental Payments, including the Base Rental Payments, does not constitute a debt of the County or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

(c) If the term of the Lease Agreement shall have been extended pursuant to the Lease Agreement, the obligation of the County to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of the Lease Agreement, as so extended.

Base Rental Payments. (a) The County, subject to the provisions of the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement," shall pay Base Rental Payments to the Corporation in the amounts at the times specified in the Base Rental Payment Schedule. A portion of the Base Rental Payments shall constitute principal components and a portion of the Base Rental Payments shall constitute interest components, as specified in the Base Rental Payment Schedule. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments.

(b) If the term of the Lease Agreement shall have been extended pursuant to the Lease Agreement, the obligation of the County to pay Rental Payments shall continue to and including the date of termination of the Lease Agreement as so extended. Upon such extension, the principal and interest components of the Base Rental Payments shall be established so that the principal components will in the aggregate be sufficient to pay all extended and unpaid principal components and the interest components will in the aggregate be sufficient to pay all extended and unpaid interest components; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Additional Rental Payments. (a) The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(i) all taxes and assessments of any type or nature charged to the Corporation or the County or affecting the Property or the respective interests or estates of the Corporation or the County therein;

(ii) insurance premiums for all insurance required pursuant to the Lease Agreement; and

(iii) all other payments not constituting Base Rental Payments required to be paid by the County pursuant to the provisions of the Lease Agreement.

(b) Amounts constituting Additional Rental Payments payable under the Lease Agreement shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Corporation to the County stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Payment Provisions. Each installment of Base Rental Payments payable under the Lease Agreement shall be paid in lawful money of the United States of America to or upon the order of the Trustee, as the assignee of the Corporation at the Principal Office of the Trustee, or such other place or entity as the Trustee shall designate. Each Base Rental Payment shall be deposited with the Corporation no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which shall not be paid by the County when due and payable under the terms of the Lease Agreement shall bear interest from the date when the same is due under the Lease Agreement until the same shall be paid a rate equal to the highest rate of interest evidenced by any of the Outstanding Certificates. Notwithstanding any dispute between the Corporation and the County, the County shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the County was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due under the Lease Agreement or refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this section on any date shall be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Appropriations Covenant. The County shall take such action as may be necessary to include all Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the County contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the County.

Rental Abatement. (a) Except as otherwise specifically provided in this section, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately, and the County waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement shall continue in full force and effect. The County and the Corporation shall, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period shall not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the County during such Rental Period. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed.

(b) Notwithstanding the foregoing, to the extent that Net Proceeds of rental interruption insurance are available for the payment of Rental Payments, Rental Payments shall not be abated as provided in paragraph (a) of this section but, rather, shall be payable by the County as a special obligation payable solely from such Net Proceeds.

Prepayment. (a) The County may prepay all or a portion of the Base Rental Payments which are payable on or after October 1, 20__, from any source of available funds, on any date on or after October 1, 20__, by paying (i) all or a portion, as elected by the County, of the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The County may prepay, from any source of available funds, all or any portion of the Base Rental Payments by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the Trust Agreement sufficient to make such Base Rental Payments when due or to make such Base Rental payments through a specified date on which the County has a right to prepay such Base Rental Payments pursuant to paragraph (a) above, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with paragraph (a) above.

(c) If less than all of the Base Rental Payments are prepaid pursuant to this section then, as of the date of such prepayment pursuant to paragraph (a) above, or the date of a deposit pursuant to paragraph (b) above, the principal and interest components of the Base Rental Payments shall be recalculated in order to take such prepayment into account, which recalculated amounts the County shall provide to the Trustee in a Written Certificate of the County. The County agrees that if, following a partial prepayment of Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the County shall not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the County shall not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid in accordance with the provisions of the Lease Agreement then, as of the date of such prepayment pursuant to paragraph (a) above, or deposit pursuant to paragraph (b) above, the term of the Lease Agreement shall be terminated.

(e) Prepayments of Base Rental Payments made pursuant to this section shall be applied to the prepayment of Certificates as provided in the Trust Agreement.

QUIET ENJOYMENT; MAINTENANCE; ALTERATIONS; LIENS

Quiet Enjoyment. The parties to the Lease Agreement mutually covenant that the County, by keeping and performing the covenants and agreements contained in the Lease Agreement, shall at all times during the term of the Lease Agreement peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Corporation.

Net-Net-Net Lease. The Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the County agrees that the Rental Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Corporation.

Right of Entry. The Corporation shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Corporation's rights or obligations under the Lease Agreement, and for all other lawful purposes.

Maintenance and Utilities. Throughout the term of the Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County, and the County shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the County or any assignee or sublessee thereof. In exchange for the Rental Payments, the Corporation agrees to provide only the Property.

Additions to Property. Subject to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—QUIET ENJOYMENT; MAINTENANCE; ALTERATIONS; LIENS—Mechanics', Etc. Liens," the County and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the County or such sublessee, and the Corporation shall not have any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made pursuant to this section, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

Installation of County's Equipment. The County and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the County or such sublessee, and the Corporation shall have no interest therein. The County or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items; and the Property, upon completion of any installations, modifications or removals made pursuant to this section, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such installations, modifications or removals. Nothing in the Lease Agreement shall prevent the County or any sublessee from purchasing items to be installed pursuant to this section under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Mechanics', Etc. Liens. In the event the County shall at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the County shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Corporation's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the County desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the County shall forthwith pay and discharge said judgment.

Other Liens. The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Corporation at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Corporation shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Lease Agreement, or from its obligation under the Lease Agreement to perform such agreements and covenants. The Corporation shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

INSURANCE; NET PROCEEDS; EMINENT DOMAIN

Public Liability and Property Damage Insurance; Workers' Compensation Insurance. (a) The County shall maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard comprehensive general liability insurance policy or policies in protection of the County, the Corporation and their respective board members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $100,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the County. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The County's obligations under this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN—Self-Insurance."

(b) The County shall maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake and flood) to the full insurable value of the Property, subject to a $100,000 loss deductible provision. Full insurable value shall not be less than the aggregate amount of principal evidenced by the Outstanding Certificates. The Net Proceeds of such casualty insurance shall be applied as provided in the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN—Damage or Destruction." The County's obligations under this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN—Self-Insurance."

(c) The County shall maintain rental interruption insurance to cover the Corporation's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to paragraph (b) of this section in an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The Net Proceeds of such rental interruption insurance shall be applied to the payment of Rental Payments during the period in which, as a result of the damage or destruction to the Property that resulted in the receipt of such Net Proceeds, there is substantial interference with the County's right to the use or occupancy of the Property. The County's obligations under this paragraph may not be satisfied by self-insurance.

(d) The insurance required by this section shall be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of the County's professionally certified risk manager or an Independent Insurance Consultant, to be adequate for the purposes of the Lease Agreement.

Title Insurance. The County shall provide, at its own expense, one or more CLTA title insurance policies for the Property, in the aggregate amount of not less than the aggregate amount of principal evidenced by the Outstanding Certificates. Said policy or policies shall insure (a) the fee interest of the County in the Property (b) the Corporation's ground leasehold estate in the Property under the Ground Lease, and (c) the County's leasehold estate under the Lease Agreement in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. The Net Proceeds of such title insurance shall be applied as provided as provided in the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN—Title Insurance."

Additional Insurance Provision; Form of Policies. (a) The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN—Public Liability and Property Damage Insurance; Workers' Compensation Insurance." All such policies shall contain a standard lessee clause in favor of the Trustee and the general liability insurance policies shall be endorsed to show the Trustee as an additional insured. All such policies shall provide that the Trustee shall be given 30 days' notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(b) The County shall cause to be delivered to the Trustee, on or before August 15 of each year, commencing August 15, 2016, a schedule of the insurance policies being maintained in accordance herewith and a Written Certificate of the County stating that such policies are in full force and effect and that the County is in full compliance with the requirements of the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN." The Trustee shall be entitled to rely upon said Written Certificate of the County as to the County's compliance with the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN." The Trustee shall not be responsible for the sufficiency of coverage or amounts of such policies.

Self-Insurance. Any self-insurance maintained by the County pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN" shall comply with the following terms:

(a) the self-insurance program shall be approved in writing by the County's professionally certified risk manager or by an Independent Insurance Consultant;

(b) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on a bi-annual basis by the County's professionally certified risk manager or by an Independent Insurance Consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of the County's professionally certified risk manager or such Independent Insurance Consultant, as applicable; and

(c) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by the County's professionally certified risk manager or by an Independent Insurance Consultant, shall be maintained.

Damage or Destruction. (a) If the Property or any portion thereof shall be damaged or destroyed, the County shall, within 30 days of the occurrence of the event of damage or destruction, notify the Trustee in writing of the County's determination as to whether or not such damage or destruction will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement."

(b) If the County determines that such damage or destruction will not result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement," the County shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof.

(c) If the County determines that such damage or destruction will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement," then the County shall (i) apply sufficient funds from the Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of such damage or destruction and other legally available funds to the repair or replacement of the Property or the portions thereof which have been damaged or destroyed to the condition that existed prior to such damage or destruction, provided that, within 40 days of the occurrence of the event of damage or destruction, the County delivers to the Trustee a Written Certificate of the County (A) certifying that the County has sufficient funds to so complete such repair or replacement of the Property or such portions thereof and identifying such funds and the location thereof, and (B) stating that such funds will not be used for any other purpose until such repair or replacement is completed, (ii) within 60 days of the occurrence of the event of damage or destruction, cause alternate real property to be substituted for all or a portion of the Property pursuant to, and in accordance with the provisions of, the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—AMENDMENTS; ASSIGNMENT AND SUBLEASING; SUBSTITUTION OR RELEASE—Substitution or Release of the Property," or (iii) within 60 days of the occurrence of the event of damage or destruction, deliver sufficient funds from such Net Proceeds and other legally available funds to the Trustee for the application to the prepayment, pursuant to the Trust Agreement (A) of all of the Outstanding Certificates, or (B) of such portion of the Outstanding Certificates as shall result in (I) the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, as certified in a Written Certificate of the County delivered to the Trustee, being at least equal to 105% of the maximum amount of the Base Rental Payments coming due in the then current Rental Period or any subsequent Rental Period, and (II) the fair replacement value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, as certified in a Written Certificate of the County delivered to the Trustee, being at least equal to the aggregate amount of principal evidenced by the Certificates then Outstanding.

Title Insurance. (a) If a defect in title to the Property results in the creation of a right to receive Net Proceeds under any policy of title insurance with respect to the Property or any portion thereof, the County shall, within 30 days of the creation of such right, notify the Trustee in writing of the County's determination as to whether or not such title defect will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement."

(b) If the County determines that such title defect will not result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement," such Net Proceeds shall be remitted to the County and used for any lawful purpose thereof.

(c) If the County determines that such title defect will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement," then the County shall (i) within 60 days of the creation of such right to receive such Net Proceeds, cause alternate real property to be substituted for all or a portion of the Property pursuant to, and in accordance with the provisions of, the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—AMENDMENTS; ASSIGNMENT AND SUBLEASING; SUBSTITUTION OR RELEASE—Substitution or Release of the Property," or (ii) immediately upon receipt thereof, deliver or cause to be delivered such Net Proceeds to the Trustee for the application to the prepayment, pursuant to the Trust Agreement, of all or a portion of the Outstanding Certificates.

Eminent Domain. (a) If all or a portion of the Property shall be taken under the power of eminent domain, the County shall, no later than 45 days prior to the day that possession thereof shall be so taken, notify the Trustee in writing of the County's determination as to whether or not such taking will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement."

(b) If the County determines that such taking will not result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement." any award made in eminent domain proceedings for such taking shall be remitted to the County and used for any lawful purpose thereof.

(c) If the County determines that such taking will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement," then the County shall (i) no later than 45 days prior to the day that possession thereof shall be so taken, cause alternate real property to be substituted for all or a portion of the Property pursuant to, and in accordance with the provisions of, the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—AMENDMENTS; ASSIGNMENT AND SUBLEASING; SUBSTITUTION OR RELEASE—Substitution or Release of the Property," or (ii) immediately upon receipt thereof, deliver or cause to be delivered any award made in eminent domain proceedings for such taking to the Trustee for the application to the prepayment, pursuant to the Trust Agreement, of all or a portion of the Outstanding Certificates.

REPRESENTATIONS; COVENANTS

Representations of the County. The County represents and warrants (a) that the County has the full power and authority to enter into, to execute and to deliver the Lease Agreement and the Trust Agreement and to perform all of its duties and obligations under the Lease Agreement and thereunder, and has duly authorized the execution and delivery of the Lease Agreement and the Trust Agreement, and (b) the Property will be used in the performance of essential governmental functions.

Representation of the Corporation. The Corporation represents and warrants that the Corporation has the full power and authority to enter into, to execute and to deliver the Lease Agreement and the Trust Agreement, and to perform all of its duties and obligations under the Lease Agreement and thereunder, and has duly authorized the execution and delivery of the Lease Agreement and the Trust Agreement.

Recordation. The County shall record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Use of the Property. The County will not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Lease Agreement. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Corporation, adversely affect the estate of the Corporation in and to any of the Property or its interest or rights under the Lease Agreement.

Other Liens. The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Corporation at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Corporation shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Lease Agreement, or from its obligation under the Lease Agreement to perform such agreements and covenants. The Corporation shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

Taxes. (a) The County shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of the Lease Agreement as and when the same become due.

(b) After giving notice to the Corporation, the County or any sublessee may, at the County's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the County or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the County or such sublessee shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation.

No Liability; Indemnification. (a) The Corporation and its directors, officers, agents and employees, shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the County shall, at its expense, indemnify and hold the Corporation and the Trustee and all directors, members, officers, employees and agents thereof harmless against and from any and all claims by or on behalf of Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. The County also covenants and agrees, at its expense, to pay and indemnify and save the Corporation and the Trustee and all directors, officers, employees and agents thereof harmless against and from any and all claims arising from (i) any condition of the Property and the adjoining sidewalks and passageways, (ii) any breach or default on the part of the County in the performance of any covenant or agreement to be performed by the County pursuant to the Lease Agreement, (iii) any act or negligence of licensees in connection with their use, occupancy or operation of the Property, or (iv) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this section, but excepting the negligence or willful misconduct of the person or entity seeking indemnity. In the event that any action or proceeding is brought against the Corporation or the Trustee or any director, member, officer or employee thereof, by reason of any such claim, the County, upon notice from the Corporation or the Trustee or such director, member, officer or employee thereof, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to the Corporation or the Trustee or such director, member, officer or employee thereof.

(b) In no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease Agreement or the County's use of the Property.

Further Assurances. The County shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Lease Agreement and for the better assuring and confirming unto the Corporation of the rights and benefits provided in the Lease Agreement.

DEFAULTS AND REMEDIES

Events of Defaults and Remedies. (a) If (i) the County shall fail (A) to pay any Rental Payment payable under the Lease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained in the Lease Agreement to be kept or performed by the County, if such failure to so keep, observe or perform shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Corporation, the Corporation, or the Owners of not less than 5% of the aggregate amount of principal evidenced by the Certificates at the time Outstanding; provided, however, that if the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default under the Lease Agreement if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, which period, unless otherwise consented to by the Corporation, shall not exceed 180 days after written notice thereof shall have been given to the County, (ii) the County's interest in the Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation, (iii) the County shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute, or (iv) the County shall fail to observe and perform any of the covenants, agreements or conditions on its part in the Trust Agreement contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Corporation or the Owners of not less than 5% of the aggregate amount of principal evidenced by the Certificates at the time Outstanding; provided, however, that if the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default under the Lease Agreement if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, which period, unless otherwise consented to by the Corporation, shall not exceed 180 days after written notice thereof shall have been given to the County, then such failure or event shall constitute an Event of Default under the Lease Agreement.

(b) Upon the occurrence of any Event of Default under the Lease Agreement, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(i) To terminate the Lease Agreement in the manner provided in the Lease Agreement on account of such Event of Default, notwithstanding any re-entry or re-letting of the Property as provided in the Lease Agreement for in subparagraph (ii) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County. In the event of such termination, the County agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Corporation all damages recoverable at law that the Corporation may incur by reason of such Event of Default, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under the Lease Agreement shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of an Event of Default under the Lease Agreement shall be or become effective by operation of law or acts of the parties to the Lease Agreement, or otherwise, unless and until the Corporation shall have given written notice to the County of the election on the part of the Corporation to terminate the Lease Agreement. The County covenants and agrees that no surrender of the Property or of the remainder of the term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

(ii) Without terminating the Lease Agreement, (A) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the County, regardless of whether or not the County has abandoned the Property, or (B) to exercise any and all rights of entry and re-entry upon the Property. In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for in subparagraph (i) above, the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the County and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as provided in the Lease Agreement for the payment of Rental Payments under the Lease Agreement, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Corporation elect to re-enter as provided in the Lease Agreement, the County irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to re-let the Property, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County, and the County indemnifies and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The County agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-let the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination of the Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, upon the occurrence of an Event of Default under the Lease Agreement, the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (i) above. The County further agrees to pay the Corporation the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the County of the completion and installation of such additions or alterations.

The County waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the County, or any other person, that may be in or upon the Property.

(c) In addition to the other remedies set forth in this section, upon the occurrence of an Event of Default under the Lease Agreement, the Corporation shall be entitled to proceed to protect and enforce the rights vested in the Corporation by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the County and of its board, officers or employees shall be enforceable by the Corporation by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation shall have the right to bring the following actions:

(i) *Accounting*. By action or suit in equity to require the County and its board, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction*. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation.

(iii) *Mandamus*. By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's rights against the County (and its board, officers and employees) and to compel the County to perform and carry out its duties and obligations under the law and its covenants and agreements with the County as provided in the Lease Agreement.

(d) Each and all of the remedies given to the Corporation under the Lease Agreement or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege under the Lease Agreement shall not impair the right of the Corporation to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this section shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Property. If any statute or rule of law validly shall limit the remedies given to the Corporation under the Lease Agreement, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

(e) In the event the Corporation shall prevail in any action brought to enforce any of the terms and provisions of the Lease Agreement, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Corporation in attempting to enforce any of the remedies available to the Corporation under the Lease Agreement.

(f) Notwithstanding anything to the contrary contained in the Lease Agreement, the Corporation shall have no right upon a default by the County under the Lease Agreement, an Event of Default under the Lease Agreement or otherwise to accelerate Rental Payments.

(g) Notwithstanding anything in the Lease Agreement to the contrary, the termination of the Lease Agreement by the Corporation on account of an Event of Default under the Lease Agreement shall not effect or result in a termination of the lease of the Property by the County to the Corporation pursuant to the Ground Lease.

Waiver. Failure of the Corporation to take advantage of any default on the part of the County shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Corporation to insist upon performance by the County of any term, covenant or condition of the Lease Agreement, or to exercise any rights given the Corporation on account of such default. A waiver of a particular default shall not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Lease Agreement shall not be, or be construed to be, a waiver of any term, covenant or condition of the Lease Agreement.

AMENDMENTS; ASSIGNMENT AND SUBLEASING; SUBSTITUTION OR RELEASE

Amendments. (a) The Lease Agreement and the Ground Lease, and the rights and obligations of the Corporation and the County under the Lease Agreement and thereunder, may be amended at any time by an amendment to the Lease Agreement or thereto which shall become binding upon execution by the County and the Corporation, but only with the prior written consent of the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, provided that no such amendment shall (i) extend the payment date of any Base Rental Payment or reduce any Base Rental Payment, without the prior written consent of the Owner of each Certificate so affected, or (ii) reduce the percentage of the aggregate amount of principal evidenced by the Certificates then Outstanding, the consent of the Owners of which is required for the execution of any amendment of the Lease Agreement or the Ground Lease, without the prior written consent of the Owners of all the Certificates then Outstanding.

(b) The Lease Agreement and the Ground Lease, and the rights and obligations of the County and the Corporation under the Lease Agreement and thereunder, may also be amended at any time by an amendment to the Lease Agreement or thereto which shall become binding upon execution by the County and the Corporation, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the County to be observed or performed in the Lease Agreement or therein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the County, or to surrender any right or power reserved in the Lease Agreement or therein to or conferred in the Lease Agreement or therein on the Corporation or the County;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Lease Agreement or therein or in regard to questions arising under the Lease Agreement or thereunder which the Corporation or the County may deem desirable or necessary and not inconsistent herewith or therewith, and which shall not materially adversely affect the rights or interests of the Owners;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—AMENDMENTS; ASSIGNMENT AND SUBLEASING; SUBSTITUTION OR RELEASE—Substitution or Release of the Property;" or

(v) to make such other changes in the Lease Agreement or therein or modifications to the Lease Agreement or thereto as the Corporation or the County may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

Assignment and Subleasing. Neither the Lease Agreement nor any interest of the County under the Lease Agreement shall be sold, mortgaged, pledged, assigned or transferred by the County by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the County, provided that any such sublease shall be subject to all of the following conditions:

(a) the Lease Agreement and the obligation of the County to make all Rental Payments under the Lease Agreement shall remain the primary obligation of the County;

(b) the County shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation a true and complete copy of such sublease;

(c) any sublease of the Property by the County shall explicitly provide that such sublease is subject to all rights of the Corporation under the Lease Agreement, including, the right to re-enter and re-let the Property or terminate the Lease Agreement upon an Event of Default under the Lease Agreement; and

(d) the County shall furnish the Corporation with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes.

Substitution or Release of the Property. The County shall have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement. All costs and expenses incurred in connection with such substitution or release shall be borne by the County. Notwithstanding any substitution or release pursuant to this section, there shall be no reduction in or abatement of the Base Rental Payments due from the County under the Lease Agreement as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following specific conditions, which are made conditions precedent to such substitution or release:

(a) an independent certified real estate appraiser selected by the County shall have found (and shall have delivered a certificate to the County and the Corporation setting forth its findings) that the Property, as constituted after such substitution or release (i) has an annual fair rental value greater than or equal to 105% of the maximum amount of the Base Rental Payments coming due in the then current Rental Period or any subsequent Rental Period, (ii) has a fair replacement value at least equal to the aggregate amount of principal evidenced by the Certificates then Outstanding, and (iii) has a useful life equal to or greater than the useful life of the Property, as constituted prior to such substitution or release;

(b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property (which fair market value shall have been determined by an independent certified real estate appraiser), of the type and with the endorsements described in the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—INSURANCE; NET PROCEEDS; EMINENT DOMAIN—Title Insurance;"

(c) the County shall have certified to the Corporation that the substituted real property is of approximately the same degree of essentiality to the County as the portion of the Property for which it is being substituted;

(d) the County shall have provided the Corporation with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes; and

(e) the County and the Corporation shall have executed, and the County shall have caused to be recorded with the Monterey County Recorder, any document necessary to reconvey to the County the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained in the Lease Agreement and in the Ground Lease.

MISCELLANEOUS

Assignment to Trustee. The County understands and agrees that, upon the execution and delivery of the Assignment Agreement (which is occurring simultaneously with the execution and delivery of the Lease Agreement), all right, title and interest of the Corporation in and to the Lease Agreement (other than the Corporation's rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement) will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Certificates. The County consents to such sale, assignment and transfer. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions of the Lease Agreement to the Corporation shall be deemed to be references to the Trustee, as assignee of the Corporation.

Validity and Severability. If for any reason the Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the Corporation or by the County, or if for any reason it is held by such a court that any of the covenants and conditions of the County under the Lease Agreement, including the covenant to pay Rental Payments, is unenforceable for the full term of the Lease Agreement, then and in such event the Lease Agreement is and shall be deemed to be a Lease Agreement under which the Rental Payments are to be paid by the County annually in consideration of the right of the County to possess, occupy and use the Property, and all of the terms, provisions and conditions of the Lease Agreement, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Governing Laws. The Lease Agreement shall be governed by and construed in accordance with the laws of the State.

ASSIGNMENT AGREEMENT

Assignment. The Corporation, for good and valuable consideration, the receipt of which is acknowledged, does sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Certificates, all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive the Base Rental Payments to be paid by the County under and pursuant to the Lease Agreement; provided, however, that the Corporation shall retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement. This assignment is absolute and is presently effective. Upon execution of the Assignment Agreement, the Corporation shall have no right, title or interest in or to the Base Rental Payments, the Additional Rental Payments, the Lease Agreement or the Ground Lease. All rights assigned by the Corporation shall be administered by the Trustee in accordance with the provisions of the Trust Agreement.

Acceptance. The Trustee accepts the foregoing assignment, subject to the terms and provisions of the Trust Agreement, and all of the Base Rental Payments shall be applied, and the rights so assigned shall be exercised, by the Trustee as provided in the Lease Agreement and the Trust Agreement.

Conditions. Excepting only the sale, assignment and transfer to the Trustee of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement pursuant to the Assignment Agreement as summarized herein under the heading "ASSIGNMENT AGREEMENT—Assignment," the Assignment Agreement shall impose no obligations whatsoever upon the Trustee beyond those expressly provided in the Lease Agreement and the Trust Agreement.

Further Assurances. The Corporation shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Assignment Agreement, and for the better assuring and confirming to the Trustee, for the benefit of the owners of the Certificates, the right, title and interest intended to be sold, assigned and transferred pursuant to the Trust Agreement.

Governing Law. The Assignment Agreement shall be governed by and construed in accordance with the laws of the State of California.

TRUST AGREEMENT

TERMS AND CONDITIONS OF CERTIFICATES

Registration Books. (a) The Trustee shall keep at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection and copying by the Corporation, the Trustee and the County at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as provided in the Trust Agreement.

(b) The Trustee may treat the Owner of any Certificate, as shown on the Registration Books, as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

Exchange of Certificates. (a) Each Certificate is transferable by the Owner thereof, in person or by such Owner's attorney duly authorized in writing, at the Principal Office of the Trustee on the Registration Books, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

(b) Each Certificate may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate amount and having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(c) The Trustee shall not be required to transfer or exchange any Certificate during the period commencing on the date five days before the date of selection of Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like amount of principal and having the same stated Principal Payment Date and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like amount of principal and having the same stated Principal Payment Date, numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under this section and of the expenses which may be incurred by it under this section. Any Certificate executed and delivered under the provisions of this section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates executed and delivered under the Trust Agreement, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this section, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which evidences principal that is then payable, the Trustee may make payment of such Certificate to the Owner thereof if so instructed by the County.

Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Trust Agreement as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it shall prepare and execute definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Principal Office of the Trustee in exchange for such definitive Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates executed and delivered under the Trust Agreement.

PROCEEDS OF CERTIFICATES

Acquisition Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Acquisition Fund." On the Delivery Date, the Trustee shall deposit in the Acquisition Fund the amount required to be deposited therein pursuant to the Trust Agreement.

(b) The moneys in the Acquisition Fund shall be used and withdrawn by the Trustee from time to time to pay the Acquisition Costs upon submission of a Written Request of the County stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes an Acquisition Cost and is a proper charge against the Acquisition Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Acquisition Fund, in each case together with a statement or invoice for each amount requested thereunder.

(c) Upon the filing of a Written Certificate of the County stating (i) that the portion of the Project to be financed from the Acquisition Fund has been completed and that all costs of such Project have been paid, or (ii) that such portion of the Project has been substantially completed and that all remaining costs of such portion of the Project have been determined and specifying the amount to be retained therefor, the Trustee shall (A) if the amount remaining in the Acquisition Fund (less any such retention) is equal to or greater than $25,000, transfer the portion of such amount equal to the largest integral multiple of $5,000 that is not greater than such amount to the Prepayment Fund, to be applied to the prepayment of Certificates, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Acquisition Fund (less any such retention) to the Interest Fund, to be applied to the payment of interest evidenced by the Certificates.

Costs of Issuance Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Costs of Issuance Fund." On the Delivery Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Trust Agreement.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the County stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the last Business Day that is no later than six months after the Delivery Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Acquisition Fund and, upon making such transfer, the Costs of Issuance Fund shall be closed.

FUNDS AND ACCOUNTS; RENTAL PAYMENTS

Pledge; Base Rental Payment Fund. (a) Subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, in order to secure the County's obligations under the Trust Agreement and under the Lease Agreement, the County irrevocably pledges to the Owners, and grants a lien on and a security interest in, all of its right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Rebate Fund), which amounts shall be used for the payment of the Base Rental Payments, in accordance with the terms of the Trust Agreement and of the Lease Agreement. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the County, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Trust Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(b) It is the intent of the parties to the Lease Agreement that the Corporation not have any right, title or interest in or to the amounts on deposit from time to time in the funds and accounts established under the Trust Agreement. If, contrary to the intent of the parties to the Lease Agreement, the Corporation is found to have any right, title or interest in or to any such amounts, then, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, the Corporation irrevocably pledges to the Owners, and grants a lien on and a security interest in, all of its right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Rebate Fund). Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Corporation, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Trust Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(c) All Base Rental Payments shall be paid directly by the County to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments paid by the County shall be deposited by the Trustee in the Base Rental Payment Fund, which the Trustee shall establish and maintain. The moneys in the Base Rental Payment fund shall be held in trust by the Trustee for the benefit of the Owners and shall be disbursed only for the purposes and uses authorized in the Trust Agreement. Any Net Proceeds of rental interruption insurance received with respect to the Property shall be deposited in the Base Rental Payment Fund.

Deposit of Base Rental Payments. The Trustee shall transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Trust Agreement, to the following respective funds, each of which the Trustee agrees to establish and maintain. The moneys in each of such funds shall be held in trust by the Trustee and shall be disbursed only for the purposes and uses authorized in the Trust Agreement.

(a) *Interest Fund.* The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date. On each Interest Payment Date, the Trustee shall withdraw from the Interest Fund for payment to the Owners of the Certificates the interest evidenced by the Certificates coming due on such Interest Payment Date.

(b) *Principal Fund.* The Trustee, on each Principal Payment Date and each Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as principal components coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. On each Principal Payment Date and each Mandatory Sinking Account Payment Date, the Trustee shall withdraw from the Principal Fund for payment to the Owners of the Certificates the principal evidenced by the Certificates due and payable on such Principal Payment Date and such Mandatory Sinking Account Payment Date.

(c) *Prepayment Fund.* The Trustee, on the prepayment date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, shall deposit in the Prepayment Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee shall deposit in the Prepayment Fund any amounts required to be deposited therein pursuant to the provisions of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—COVENANTS—Application of Net Proceeds" and "—Title Insurance." Moneys in the Prepayment Fund shall be used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Certificates to be prepaid.

Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the County. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Certificates pursuant to the Trust Agreement or anything to the contrary contained in the Trust Agreement, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this section and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall have no liability or responsibility to enforce compliance by the County with the terms of the Tax Certificate. The Trustee may conclusively rely upon the County's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the County's calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the principal and interest evidenced by the Certificates and after payment of any amounts described in this section, shall be withdrawn by the Trustee and remitted to the County.

Investments. (a) Except as otherwise provided in the Trust Agreement, any moneys held by the Trustee in the funds and accounts established under the Trust Agreement shall be invested by the Trustee upon the Written Request of the County only in Permitted Investments, and in the absence of such direction shall be invested by the Trustee in Permitted Investments described in paragraph (6) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the County specifying a specific money market fund and, if no such Written Request of the County is so received, the Trustee shall hold such moneys uninvested. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this section. The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Permitted Investments that are registerable securities shall be registered in the name of the Trustee.

(b) Permitted Investments purchased with funds on deposit in the Base Rental Payment Fund shall mature not later than the payment date immediately succeeding the investment. Permitted Investments purchased with funds on deposit in the Prepayment Fund shall either be held uninvested or invested in Defeasance Securities that mature on or prior to the prepayment date on which such funds are to be applied to the prepayment of Certificates.

(c) Subject to the provisions of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—FUNDS AND ACCOUNTS; RENTAL PAYMENTS—Rebate Fund," all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Trust Agreement shall be retained therein.

(d) All investments of amounts deposited in any fund or account established under the Trust Agreement shall be valued at the market value thereof. In determining market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

(e) The County acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the County the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the County will not receive such confirmation to the extent permitted by law. The Trustee will furnish the County periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Trust Agreement.

COVENANTS

Application of Net Proceeds. (a) If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of this section, the County shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the County elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Trust Agreement.

(b) The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the County, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the County in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

(c) Notwithstanding the foregoing, the County shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the County intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the County does intend to replace or repair the Property or portions thereof, the County shall deposit with the Trustee the full amount of any insurance deductible to be credited to the special account referred to in paragraph (b) of this section.

(d) If such damage, destruction or loss was such that there resulted a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments results (or would result if moneys were not available for the payment of the Rental Payments in any of the funds and accounts established under the Trust Agreement) from such damage or destruction pursuant to the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement," then the County shall be required either to (i) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (ii) apply sufficient funds from the insurance proceeds and other legally available funds to the prepayment, as set forth in the Trust Agreement, in full of all the Outstanding Certificates or all of those Outstanding Certificates which evidence that portion of the Base Rental Payments which are abated as a result of the damage or destruction. If the County is required to apply funds from the insurance proceeds and other legally available funds to be applied to the prepayment of Certificates in accordance with clause (ii) above, the County shall direct the Trustee, in a Written Request of the County, to transfer the funds to be applied to such prepayment to the Prepayment Fund and the Trustee shall transfer such funds to the Prepayment Fund. Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Property which was damaged or destroyed is restored to and made available to the County in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction as required by clause (i) above or the prepayment of Certificates as required by clause (ii) above, in each case as evidenced by a Written Certificate of the County to such effect, shall, if there is first delivered to the Trustee a Written Certificate of the County to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the County to be used for any lawful purpose.

(e) The proceeds of any award in eminent domain with respect to the Property shall be deposited by the Trustee in the Prepayment Fund and applied to the prepayment of Outstanding Certificates pursuant to the Trust Agreement.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the County determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the County under the Lease Agreement, such proceeds shall be remitted to the County and used for any lawful purpose thereof; or

(b) if the County determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and would result in an abatement in whole or in part of Rental Payments payable by the County under the Lease Agreement, then the County shall, in a Written Request of the County, direct the Trustee to, and the Trustee shall, immediately deposit such proceeds in the Prepayment Fund and such proceeds shall be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Compliance with Trust Agreement. Each of the Corporation and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be complied with, kept, observed and performed by it.

Compliance with Ground Lease and Lease Agreement. Each of the Corporation and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the Lease Agreement required to be complied with, kept, observed and performed by it and, together with the Trustee, shall enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Corporation, the County and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. (a) The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Trust Agreement, or from its obligation under the Trust Agreement to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

(b) The Corporation and the Trustee shall not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement.

(c) None of the Trustee, the Corporation or the County shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Trust Agreement, other than the pledge and lien of the Trust Agreement.

Prosecution and Defense of Suits. The County shall promptly, upon request of the Trustee or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Recordation. The County shall record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants. (a) The County shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest evidenced by the Certificates under Section 103 of the Code. Without limiting the generality of the foregoing, the County will comply with the requirements of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. This covenant shall survive payment in full or defeasance of the Certificates.

(b) In the event that at any time the County is of the opinion that for purposes of this section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Trust Agreement, the County shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this section, if the County shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest evidenced by the Certificates, the Trustee may conclusively rely on such opinion in complying with the requirements of this section and of the Tax Certificate, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

Continuing Disclosure. Each of the County and the Trustee shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of the Trust Agreement, failure of the County or the Trustee to comply with the Continuing Disclosure Agreement shall not constitute an Event of Default under the Trust Agreement; provided, however, that the Trustee may (and, at the written direction of the Owners of at least 25% of the aggregate amount of principal evidenced by Outstanding Certificates and upon being indemnified to its reasonable satisfaction, shall) or any Owner or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Corporation and the County shall promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Trust Agreement or by the Assignment Agreement, the Ground Lease or the Lease Agreement.

DEFAULTS AND REMEDIES

Events of Default. The occurrence of an Event of Default under the Lease Agreement shall constitute an Event of Default under the Trust Agreement.

Action on Default. In each and every case during the continuance of an Event of Default under the Trust Agreement, the Trustee may, and, at the direction of the Owners of not less than a majority of the aggregate amount of principal evidenced by Certificates then Outstanding, shall, exercise any of the remedies granted to the Corporation under the Lease Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement.

Other Remedies of the Trustee. Subject to the provisions of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFAULTS AND REMEDIES—Action on Default," the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County or the Corporation or any member, director, officer or employee thereof, and to compel the County or the Corporation or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit in equity upon the happening of any Event of Default under the Trust Agreement to require the County and the Corporation to account as if it or they were the trustee or trustees of an express trust.

Non-Waiver. (a) A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFAULTS AND REMEDIES" may be enforced and exercised from time to time and as often as the Trustee shall deem expedient.

(b) If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such Owner, the Corporation and the County shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. Subject to the provisions of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFAULTS AND REMEDIES—Action on Default," no remedy in the

Trust Agreement conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Trust Agreement, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Corporation to the Owners. The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Application of Amounts After Default. Upon the occurrence and during the continuance of an Event of Default under the Trust Agreement, moneys held by the Trustee in the funds and accounts established under the Trust Agreement and all payments received by the Trustee with respect to the rental of the Property (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Corporation's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease Agreement as summarized herein under the heading "LEASE AGREEMENT—DEFAULTS AND REMEDIES," shall be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—THE TRUSTEE—Compensation and Indemnification;"

(b) to the payment of all amounts then due for interest evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest evidenced by such Certificates due and payable; and

(c) to the payment of all amounts then due for principal evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal evidenced by such Certificates due and payable.

Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under the Trust Agreement or the Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, with respect to the Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy under the Trust Agreement, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing Event of Default under the Trust Agreement, (b) the Owners of not less than 25% of the aggregate amount of principal evidenced by Certificates then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Trust Agreement, (c) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (e) no direction inconsistent with such written request shall have been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate amount of principal evidenced by Certificates then Outstanding; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement and for the equal and ratable benefit of all the Owners of Certificates.

Bankruptcy Matters. (a) Nothing in the Trust Agreement shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

(b) When the Trustee incurs expenses or renders services after the occurrence or during the continuance of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

THE TRUSTEE

Duties of the Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Removal; Resignation; Successor Trustees; Qualifications; Merger and Consolidation. (a) The County may by an instrument in writing, remove the Trustee initially a party to the Trust Agreement and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Trust Agreement and any successor thereto if at any time (i) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority of the aggregate amount of principal evidenced by the Certificates at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with paragraph (d) of this section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.

(b) The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the County and the Corporation, and to the Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the County shall promptly appoint a successor Trustee by an instrument in writing.

(c) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in paragraph (d) of this section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the County, the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Trust Agreement; but, nevertheless at the written request of the County, the Corporation or the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Trust Agreement. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the successor Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Trust Agreement to the Owners at the addresses shown on the Registration Books.

(d) The Trustee shall be a bank, national banking association or trust company incorporated or organized under the laws of the United States of America or any state thereof, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least $50,000,000, and subject to supervision or examination by federal or state agency. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (d), the Trustee shall resign immediately in the manner and with the effect specified in this section.

(e) Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under paragraph (d) of this section shall be the successor to such Trustee, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Trust Agreement anything in the Trust Agreement to the contrary notwithstanding.

Liabilities of the Trustee. (a) The recitals of facts in the Trust Agreement shall be taken as statements of the County, and the Trustee shall not assume responsibility for the correctness of the same. The Trustee shall, however, be responsible for its representations contained in the Certificates. The Trustee makes no representations as to the validity or sufficiency of the Trust Agreement, the Ground Lease, the Lease Agreement, or of the assignment made to it by the Assignment Agreement, or in respect of the security afforded by the Trust Agreement, and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to (i) the delivery of the Certificates for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the County or others in accordance with the Trust Agreement, except as to the application of any moneys paid to it in its capacity as Trustee. The permissive rights of the Trustee to do things enumerated in the Trust Agreement, the Ground Lease or the Lease Agreement shall not be construed as duties, and the Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement or thereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Certificates with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Trust Agreement, the Ground Lease or the Lease Agreement. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority of the aggregate amount of principal evidenced by the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement, the Ground Lease or the Lease Agreement.

(d) No provision of the Trust Agreement, the Ground Lease or the Lease Agreement or any other document related to the Trust Agreement shall require the Trustee to risk or advance its own funds.

(e) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(f) The Trustee may execute any of its powers or duties under the Trust Agreement and under the Ground Lease and the Lease Agreement through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(g) Before taking action under the Trust Agreement as summarized herein under the headings "TRUST AGREEMENT—DEFAULTS AND REMEDIES" or "TRUST AGREEMENT—THE TRUSTEE" or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur, including any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances.

(h) The Trustee shall not be deemed to have knowledge of an Event of Default under the Trust Agreement or an event of default under the Lease Agreement unless it has actual knowledge thereof.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

(j) The Trustee's rights to immunities, indemnifications and protection from liability under the Trust Agreement and under the Ground Lease and the Lease Agreement and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Certificates. All indemnifications and releases from liability granted in the Trust Agreement or in the Lease Agreement to the Trustee shall extend to its directors, officers, employees and agents.

(k) Notwithstanding the effective date of the Trust Agreement or anything to the contrary in the Trust Agreement, the Trustee shall have no liability or responsibility for any act or event relating to the Trust Agreement which occurs prior to the date the Trustee formally commences acting as Trustee under the Trust Agreement.

Right to Rely on Documents. (a) Upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document furnished to it pursuant to any provision of the Trust Agreement, the Ground Lease or the Lease Agreement, the Trustee shall examine such instrument to determine whether it conforms to the requirements, if any, of the Trust Agreement, the Ground Lease or the Lease Agreement, as applicable, and, if the Trustee so determines, the Trustee may conclusively rely, and shall be fully protected in acting upon, any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by the Trust Agreement, the Trustee shall deem it necessary or desirable that a legal matter be established prior to taking or suffering any action under the Trust Agreement, under the Ground Lease or under the Lease Agreement, the Trustee may consult with counsel, who may be counsel to the County or the Corporation, with regard to such legal matter, and the opinion of such counsel shall be full and complete authorization and protection in respect of any such action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith.

(c) Whenever in the administration of the duties imposed upon it by the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, under the Ground Lease or under the Lease Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may be deemed to be conclusively proved and established by a Written Certificate of the County, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Trust Agreement, the Ground Lease or the Lease Agreement in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Accounting Records; Documents. (a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Certificates, the Base Rental Payments received by it and all funds and accounts established by it pursuant to the Trust Agreement. Such books of record and account shall be available for inspection by the County and the Corporation during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the County a monthly accounting of the funds and accounts it holds under the Trust Agreement; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero, and (ii) has not had any activity since the last reporting date.

(b) All documents received by the Trustee under the provisions of the Trust Agreement shall be retained in its possession and shall be available for inspection by the County and the Corporation during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee.

Compensation and Indemnification. The County shall, pursuant to a pre-approved fee letter, pay to the Trustee from time to time all reasonable compensation for all services rendered under the Trust Agreement, and all reasonable expenses, charges and legal fees and other disbursements (including those of its attorneys, agents and employees), incurred in and about the performance of its powers and duties under the Trust Agreement. The County shall, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, losses, costs, expenses (including legal fees and expenses), claims, suits, judgments or damages which it may incur in the exercise and performance of its powers and duties under the Trust Agreement, under the Ground Lease or under the Lease Agreement, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct.

SUPPLEMENTAL TRUST AGREEMENTS

Supplemental Trust Agreements. (a) The Trust Agreement and the rights and obligations of the Corporation, the County, the Trustee and the Owners under the Trust Agreement may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Corporation, the County and the Trustee may enter into when there are filed with the Trustee the written consents of the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—MISCELLANEOUS—Disqualified Certificates." No such modification or amendment shall (i) extend the stated Principal Payment Date of any Certificate or reduce the rate of interest applicable to the interest evidenced thereby or extend the time of payment of such interest or reduce the principal evidenced thereby or reduce the amount of any Mandatory Sinking Account Payment or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Certificate so affected, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under the Trust Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created by, the Trust Agreement or deprive the Owners of the pledge contained in, and the lien and security interest created by, the Trust Agreement, except as expressly provided in the Trust Agreement, without the consent of the Owners of all of the Certificates then Outstanding, (iii) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (iv) amend this section without the prior written consent of the Owners of all Certificates then Outstanding.

(b) The Trust Agreement and the rights and obligations of the Corporation, the County, the Trustee and the Owners under the Trust Agreement may also be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Corporation, the County and the Trustee may enter into, but without the consent of any Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Corporation or the County contained in the Trust Agreement, other covenants and agreements thereafter to be observed, to provide additional security for the Certificates (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Corporation or the County in the Trust Agreement;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Trust Agreement that the Corporation or the County may deem desirable or necessary and not inconsistent herewith, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners under the Trust Agreement;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates;

(iv) to permit the qualification of the Trust Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect; or

(v) in any other respect whatsoever as the Corporation or the County may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners.

(c) Promptly after the execution by the Corporation, the County and the Trustee of any Supplemental Trust Agreement, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the County), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Trust Agreement, to the Owners at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

Effect of Supplemental Trust Agreement. Upon the execution of any Supplemental Trust Agreement pursuant to the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—SUPPLEMENTAL TRUST AGREEMENTS," the Trust Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement of the Corporation, the County, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Trust Agreement subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement shall be deemed to be part of the terms and conditions of the Trust Agreement for any and all purposes.

Endorsement of Certificates; Preparation of New Certificates. Certificates delivered after the effective date of any Supplemental Trust Agreement pursuant to the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—SUPPLEMENTAL TRUST AGREEMENTS" may and, if the Corporation or the County so determines, shall, bear a notation by endorsement or otherwise in form approved by the Corporation, the County and the Trustee as to any modification or amendment provided for in such Supplemental Trust Agreement, and, in that case, upon demand of the Owner of any Certificate Outstanding at the time of such effective date and presentation of such Certificate for such purpose at the Principal Office of the Trustee a suitable notation shall be made on such Certificates. If the Supplemental Trust Agreement shall so provide, new Certificates so modified as to conform, in the opinion of the Corporation, the County and the Trustee, to any modification or amendment contained in such Supplemental Trust Agreement, shall be prepared, or caused to be prepared, by the Corporation and the County and executed by the Trustee and, in that case, upon demand of the Owner of any Certificate Outstanding at the time of such effective date, and presentation of such Certificate for such purpose at the Principal Office of the Trustee, such a new Certificate evidencing the same principal, interest at the same interest rate and with the same stated Principal Payment Date shall be exchanged for such Owner's Certificate so surrendered.

Amendment of Particular Certificates. The provisions of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—SUPPLEMENTAL TRUST AGREEMENTS" shall not prevent any

Owner from accepting any amendment or modification as to any particular Certificate owned by it, provided that due notation thereof is made on such Certificate.

DEFEASANCE

Discharge of Trust Agreement. (a) If there shall be paid (i) to the Owners of all Outstanding Certificates the principal, interest and premium, if any, evidenced thereby at the times and in the manner stipulated in the Trust Agreement and therein, and (ii) all other amounts due under the Trust Agreement and under the Lease Agreement, then the Owners shall cease to be entitled to the pledge of the assets provided for in the Trust Agreement, and, except as otherwise provided in the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—THE TRUSTEE—Liabilities of the Trustee," all agreements, covenants and other obligations of the Corporation and the County under the Trust Agreement shall thereupon cease, terminate and become void and the Trust Agreement shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation and the County all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the County all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the principal, interest and premium, if any, evidenced by the Certificates.

(b) Subject to the provisions of paragraph (a) of this section, when any Certificate shall have been paid and if, at the time of such payment, each of the Corporation and the County shall have kept, performed and observed all of the covenants and promises in the Trust Agreement and the Lease Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Trust Agreement shall be considered to have been discharged in respect of such Certificate and such Certificate shall cease to be entitled to the pledge of the assets provided in the Trust Agreement for in the Trust Agreement, and all agreements, covenants and other obligations of the Corporation and the County under the Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied as to such Certificate.

(c) Notwithstanding the discharge and satisfaction of the Trust Agreement or the discharge and satisfaction of the Trust Agreement in respect of any Certificate, those provisions of the Trust Agreement relating to the payment of the principal, interest and premium, if any, evidenced by Certificates, exchange and transfer of Certificates, replacement of mutilated, destroyed, lost or stolen Certificates, the safekeeping and cancellation of Certificates, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of such Certificate, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal, interest and premium, if any, evidenced by such Certificate, and to pay to the Owner of such Certificate the funds so held by the Trustee as and when such payment becomes due.

Certificates Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or prepayment of the principal evidenced by any Certificate and the payment of the interest evidenced thereby to the stated Principal Payment Date or prepayment date thereof, such Certificate shall be deemed to have been paid within the meaning and with the effect provided in the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE—Discharge of Trust Agreement." Any Outstanding Certificate shall prior to its stated Principal Payment Date or the prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE—Discharge of Trust Agreement," if (i) in case any of such Certificates is to be prepaid on any date prior to its stated Principal Payment Date, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Trust Agreement, notice of prepayment of such Certificate on said prepayment date, said notice to be given in accordance with the Trust Agreement, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest evidenced by such Certificate to become due on and prior to its stated Principal Payment Date or the prepayment date thereof, as the case may be, and the principal and premium, if any, evidenced by such Certificate, and (iii) in the event such Certificate is not by its terms subject to prepayment within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Certificate that the deposit required by clause (ii) above has been made with the Trustee and that such Certificate is deemed to have been paid in accordance with this section and stating stated Principal Payment Date or prepayment date upon which money is to be available for the payment of the principal and premium, if any, evidenced by such Certificate.

(b) No Certificate shall be deemed to have been paid pursuant to clause (ii) of paragraph (a) of this section unless the County shall have caused to be delivered to the County and the Trustee (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the County and the Trustee, in form and in substance acceptable to the County and the Trustee, (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) of this section resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (iii) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the County and the Trustee, in form and in substance acceptable to the County and the Trustee, to the effect that such Certificate has been paid within the meaning and with the effect expressed in the Trust Agreement, the Trust Agreement has been discharged in respect of such Certificate and all agreements, covenants and other obligations of the County and the Corporation under the Trust Agreement as to such Certificate have ceased, terminated, become void and been completely discharged and satisfied.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal, interest or premium, if any, evidenced by any Certificates which remain unclaimed for two years after the date when such principal, interest or premium has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, interest or premium became payable, shall be repaid by the Trustee, without liability for interest, to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owner of such Certificate shall look only to the County for the payment of such principal, interest or premium.

MISCELLANEOUS

Benefits of Trust Agreement. Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any Person other than the Trustee, the Corporation, the County and the Owners any right, remedy or right under or pursuant to the Trust Agreement, and any agreement, condition, covenant or term required in the Trust Agreement to be observed or performed by or on behalf of the County or the Corporation shall be for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Trustee, the Corporation or the County, or any officer thereof, is named or referred to in the Trust Agreement, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Trustee, the Corporation or the County, or such officer, and all agreements, conditions, covenants and terms required by the Trust Agreement to be observed or performed by or on behalf of the Trustee, the Corporation, if any, or the County, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required in the Trust Agreement to be observed or performed by or on the part of the Corporation, the County or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms of the Trust Agreement and shall in no way affect the validity of the Trust Agreement or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Corporation, the County and the Trustee declare that they would have executed the Trust Agreement, and each and every article, section, paragraph, subsection, sentence, clause and phrase of the Trust Agreement and would have authorized the execution and delivery of the Certificates pursuant to the Trust Agreement irrespective of the fact that any one or more articles, sections, paragraphs, subsections, sentences, clauses or phrases of the Trust Agreement or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Execution of Documents by Owners. (a) Any request, consent or other instrument required or permitted by the Trust Agreement to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by each such Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of the Trust Agreement and shall be conclusive in favor of the County, the Corporation and the Trustee if made in the manner provided in this section. The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

(b) The ownership of any Certificates and the principal evidenced thereby, stated Principal Payment Date, number and date of owning the same may be proved by the Registration Books.

(c) Any request, consent, or other instrument or writing of the Owner of any Certificate shall bind every future Owner of the same Certificate and the Owner of every Certificate issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the County, the Corporation and the Trustee in accordance therewith or reliance thereon.

Disqualified Certificates. In determining whether the Owners of the requisite aggregate amount of principal evidenced by the Certificates have concurred in any demand, request, direction, consent or waiver under the Trust Agreement, Certificates which are actually known by the Trustee to be owned or held by or for the account of the County, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the County shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all Certificates are owned or held by or for the account of the County, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the County, in which case such Certificates shall be considered Outstanding for the purpose of such determination. Certificates so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Certificates and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the County or any other obligor on the Certificates. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the County shall specify in a Written Certificate of the County delivered to the Trustee which Certificates, if any, are, as of the date of such Written Certificate, owned or held by or for the account of the County, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the County.

Destruction of Certificates. Whenever in the Trust Agreement provision is made for the cancellation by the Trustee and the delivery to the Corporation or the County of any Certificates, the Trustee shall, in lieu of such cancellation and delivery, destroy such Certificates.

Money Held for Particular Certificates. The money held by the Trustee for the payment of the principal, interest or premium due on any date with respect to particular Certificates (or portions of Certificates in the case of Certificates prepaid in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners entitled thereto, subject, however, to the provisions of the Trust Agreement as summarized herein under the heading "TRUST AGREEMENT—DEFEASANCE—Unclaimed Moneys," but without any liability for interest thereon.

Funds and Accounts. Any fund or account required to be established and maintained in the Trust Agreement by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Trust Agreement.

Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Trust Agreement or the Lease Agreement shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Trust Agreement or the Lease Agreement and, unless otherwise specifically provided in the Trust Agreement or the Lease Agreement, no interest shall accrue for the period from and after such nominal date.

Waiver of Personal Liability. No member, officer or employee of the County or the Corporation shall be individually or personally liable for the payment of the principal, interest or premium evidenced by the Certificates or be subject to any personal liability or accountability by reason of the execution and delivery thereof; but nothing contained in the Trust Agreement shall relieve any such member, officer or employee from the performance of any official duty provided by any applicable provisions of law, by the Trust Agreement or by the Lease Agreement.

Governing Law. The Trust Agreement shall be governed by and construed in accordance with the laws of the State.

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APPENDIX D

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

Upon delivery of the Certificates, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel, proposes to render its final approving opinion with respect to the Certificates in substantially the following form:

[Date of Delivery]

County of Monterey
Salinas, California

County of Monterey
Certificates of Participation
(2015 Public Facilities Financing)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the County of Monterey (the "County") in connection with the execution and delivery of the County of Monterey Certificates of Participation (2015 Public Facilities Financing) (the "Certificates") evidencing principal in the aggregate amount of $________. In such connection, we have reviewed the Lease Agreement, dated as of August 1, 2015 (the "Lease Agreement"), by and between the County and the County of Monterey Public Improvement Corporation (the "Corporation"), the Ground Lease, dated as of August 1, 2015 (the "Ground Lease"), by and between the County and the Corporation, the Trust Agreement, dated as of August 1, 2015 (the "Trust Agreement"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Corporation and the County, the Assignment Agreement, dated as of August 1, 2015 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Tax Certificate of the County, dated the date hereof (the "Tax Certificate"), opinions of counsel to the County, the Corporation and the Trustee, certificates of the County, the Corporation, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized undefined terms used herein have the meanings ascribed thereto in the Lease Agreement.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of Base Rental Payments designated as and constituting interest evidenced by the Certificates to be included in gross income for federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Lease Agreement, the Ground Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Lease Agreement, the Ground Lease or the Assignment Agreement or the accuracy or sufficiency of the description contained therein of any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Trust Agreement, the Lease Agreement and the Ground Lease have been duly executed and delivered by, and constitute valid and binding obligations of, the County.

2. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

3. The portion of Base Rental Payments designated as and constituting interest paid by the County under the Lease Agreement and received by the registered owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the amount, accrual or receipt of such interest or the ownership or disposition of the Certificates.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Certificates, payment of principal and interest evidenced by the Certificates to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Certificates, and other Certificates-related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the County and the Corporation each believes to be reliable, but the County and the Corporation take no responsibility for the completeness or accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate for each maturity of the Certificates will be executed and delivered for the Certificates in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Trust Agreement and Lease Agreement. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement"), dated as of August 1, 2015, is by and between the COUNTY OF MONTEREY, a county and political subdivision of the State of California organized and existing under and by virtue of the laws of the State of California (the "County"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as Trustee (the "Trustee").

W I T N E S S E T H :

WHEREAS, the County has caused to be executed and delivered the County of Monterey Certificates of Participation (2015 Public Facilities Financing) (the "Certificates"), evidencing principal in the aggregate amount of $________, pursuant to the Trust Agreement, dated as of August 1, 2015 (the "Trust Agreement"), by and between the County and the Trustee; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the County and the Trustee for the benefit of the owners and beneficial owners of the Certificates and in order to assist the underwriters of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement.

"Annual Report" means any Annual Report provided by the County pursuant to, and as described in, Sections 2 and 3 hereof.

"Annual Report Date" means the date in each year that is the first day of the month following the ninth month after the end of the County's fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

"County" means the County of Monterey, a county and political subdivision of the State organized and existing under the laws of the State, and its successors.

"Disclosure Representative" means the County Administrative Officer of the County, the Auditor-Controller of the County, the Deputy Auditor-Controller of the County, the County Debt Manager of the County, or such other person as the County shall designate in writing to the Trustee from time to time.

"Dissemination Agent" means the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the Trustee a written acceptance of such designation.

"Trust Agreement" means the Trust Agreement, dated as of August 1, 2015, by and among The Bank of New York Mellon Trust Company, N.A., as trustee, the Corporation and the County, as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

"Listed Events" means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" means the Official Statement, dated August __, 2015, relating to the Certificates.

"Participating Underwriter" means any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as Trustee under the Trust Agreement, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The County shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report that is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2014-15 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the County, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the County and the Dissemination Agent to determine if the County is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide each Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the County and (if the Dissemination Agent is not the Trustee) the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) The County's audited financial statements, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements, in a format similar to that used for the County's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) An update for the then current fiscal year of the information contained in the tables with the following headings in the Official Statement:

Table 1 – County of Monterey – General Fund Balance Sheet;

Table 2 – County of Monterey – General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance;

Table 4 – County of Monterey – General Fund Budgets;

Table 5 – County of Monterey Transient Occupancy Tax Receipts;

Table 6 – County of Monterey Historical Taxable Sales and Sales Tax Receipts;

Table 7 – County of Monterey – Assessed Valuation;

Table 8 – County of Monterey – Secured Tax Levies and Delinquencies;

Table 9 – County of Monterey – Largest Taxpayers;

Table 10 – County of Monterey – Long-Term Debt Outstanding;

Table 11 – County of Monterey Annual CalPERS Costs;

Table 12 – Funded Status – Miscellaneous Plan; and

Table 13 – Funded Status – Safety Plan;

An update of the information regarding contribution rates and costs in the Official Statement under the caption "COUNTY FINANCIAL INFORMATION – Pension Benefits - Other Post-Employment Benefits (OPEB)"; and

An update of the financial and operating data contained in the Official Statement under the caption "COUNTY FINANCIAL INFORMATION – Investments of County Funds; County Pool."

(c) In addition to any of the information expressly required to be provided under the preceding paragraphs (a) and (b), the County shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, that have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not later than ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

(vii) Defeasances.

(viii) Rating changes.

(ix) Bankruptcy, insolvency, receivership or similar event of the County.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

(b) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) Unless described in paragraph (v) of subsection (a) of this Section, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates.

(ii) Modifications to rights of holders of the Certificates.

(iii) Optional, unscheduled or contingent Certificate calls.

(iv) Release, substitution, or sale of property securing repayment of the Certificates.

(v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation, or acquisition involving an County or the sale of all or substantially all of the assets of the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional Trustee or the change of name of a Trustee.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event. The Trustee shall have no obligation or duty to determine the materiality of such Listed Event or whether such Listed Event reflects financial difficulties.

(d) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the County shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the County shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (vii) of subsection (a) of this Section and (iii) of subsection (a) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 5. <u>Format for Filings with MSRB</u>. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. <u>Termination of Reporting Obligation</u>. The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the County shall give, or cause to be given, notice of such termination in a filing with the MSRB.

Section 7. <u>Dissemination Agent</u>. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the County. If at any time there is not a designated Dissemination Agent (that is not the Trustee), the Trustee shall be the Dissemination Agent.

Section 8. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Agreement, the County and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the County; provided, however, that the Trustee shall be obligated to agree to any such amendment, so long as such amendment does not adversely affect the rights or increase the obligations of the Trustee), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the County, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate amount of principal evidenced by the Outstanding Certificates, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Certificates may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure

Agreement in the event of any failure of the County, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event and neither thereof shall have any obligation or duty to review, verify or analyze any Annual Report; the Trustee shall hold each Annual Report solely as a repository for the Owners. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Governing Laws. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

COUNTY OF MONTEREY

By______________________________________
Authorized Signatory

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE

By______________________________________
Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Monterey

Name of Issue: County of Monterey Certificates of Participation (2015 Public Facilities Financing)

Date of Issuance: August __, 2015

NOTICE IS HEREBY GIVEN that the County of Monterey (the "County") has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement, dated as of August 1, 2015, by and between the County and The Bank of New York Mellon Trust Company, N.A., as Trustee. [The County anticipates that such Annual Report will be filed by ____________.]

Dated: _________________

The Bank of New York Mellon Trust Company, N.A., as Trustee, on behalf of the County of Monterey

By____
Authorized Signatory

cc: County of Monterey

COUNTY OF MONTEREY • CERTIFICATES OF PARTICIPATION (2015 PUBLIC FACILITIES FINANCING)

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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