NEW ISSUE - BOOK-ENTRY ONLY

RATINGS:
Standard & Poor's (Insured): "AA-"
Standard & Poor's (Underlying): "AA-"
(See "Ratings" herein.)

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2012A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2012A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Series 2012A Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.

$22,425,000
FRESNO COUNTY FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2012A

Dated: Date of Delivery **Due: August 1, as shown on the inside cover page hereof**

The $22,425,000 Fresno County Financing Authority Lease Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds") are being issued pursuant to an Indenture, dated as of September 1, 2012 (the "Indenture"), by and between the Fresno County Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Series 2012A Bonds will be used to (i) pay and redeem the Authority's outstanding Lease Revenue Bonds, Series 2004 (Juvenile Justice Campus) (the "Series 2004A Bonds") and Lease Revenue Bonds, Series 2004 B (Energy Savings Projects) (the "Series 2004B Bonds" and, together with the Series 2004A Bonds, the "Prior Bonds"), (ii) pay the premiums for a municipal bond insurance policy and a reserve fund credit facility and (iii) pay certain costs of issuing the Series 2012A Bonds.

The Series 2012A Bonds will mature on each August 1 in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2012A Bonds will be payable on each February 1 and August 1, commencing on February 1, 2013. The Series 2012A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See Appendix D – "Book-Entry System" attached hereto.

The Series 2012A Bonds are payable from and secured by a pledge of Revenues (as defined herein) under the Indenture, consisting primarily of certain rental payments ("Base Rental Payments") to be made by the County to the Authority pursuant to the Lease, dated as of September 1, 2012 (the "Lease"), by and between the Authority and the County for the use and occupancy of the Leased Property (as defined in the Lease). The County has covenanted under the Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental (as defined herein) in its budget for each fiscal year and to make all necessary appropriations therefore (subject to abatement of such payments). See "Security and Sources of Payment for the Series 2012A Bonds" herein.

The Series 2012A Bonds are not subject to optional redemption or mandatory sinking fund redemption prior to their stated maturity dates. The Series 2012A Bonds are subject to extraordinary redemption prior to their stated date of maturity. See "The Series 2012A Bonds – Redemption" herein.

The scheduled payment of principal of and interest on the Series 2012A Bonds maturing on August 1 of the years 2017 through 2022, inclusive (the "Insured Series 2012A Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2012A Bonds by Assured Guaranty Municipal Corp. The Series 2012A Bonds maturing August 1, 2013 through 2016, inclusive, are not insured.

ASSURED GUARANTY® MUNICIPAL

THE OBLIGATION OF THE COUNTY TO PAY THE BASE RENTAL PAYMENTS AND ADDITIONAL RENTAL DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION 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. THE SERIES 2012A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND SHALL BE PAYABLE SOLELY FROM THE REVENUES AND AMOUNTS ON DEPOSIT IN THE FUNDS AND CERTAIN ACCOUNTS (OTHER THAN THE REBATE FUND) ESTABLISHED UNDER THE INDENTURE. THE SERIES 2012A BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE COUNTY OR OF THE STATE AND NEITHER THE FAITH AND CREDIT OF THE COUNTY NOR OF THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2012A BONDS. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS AND ADDITIONAL RENTAL.

This cover page is not intended to be a summary of the Series 2012A Bonds or the security thereof. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The Series 2012A Bonds are offered when, as and if issued, subject to the approving opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County. Certain legal matters will be passed upon for the County by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the County and the Authority by the County Counsel of the County. It is anticipated that the Series 2012A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October 9, 2012.

Dated: September 27, 2012

$22,425,000
FRESNO COUNTY FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2012A

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Base CUSIP† Number: 35824N

Maturity Date (August 1)	Principal Amount	Interest Rate	Priced to Yield	CUSIP Suffix
2013	$2,625,000	2.00%	0.50%	CB3
2014	2,695,000	3.00	0.75	CC1
2015	2,770,000	3.00	1.00	CD9
2016	2,855,000	3.00	1.25	CE7
2017(1)	2,935,000	3.00	1.40	CF4
2018(1)	2,170,000	3.00	1.70	CG2
2019(1)	1,765,000	3.00	2.00	CH0
2020(1)	1,820,000	3.00	2.25	CJ6
2021(1)	1,870,000	3.00	2.50	CK3
2022(1)	920,000	3.00	2.65	CL1

(1) The scheduled payment of principal of and interest on the Series 2012A Bonds maturing on August 1 of the years 2017 through 2022, inclusive (the "Insured Series 2012A Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2012A Bonds by Assured Guaranty Municipal Corp. The Series 2012A Bonds maturing August 1, 2013 through 2016, inclusive, are not insured.

† CUSIP is a registered trademark of American Bankers Association. CUSIP data in this Official Statement is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is set forth for convenience of reference only. The County, the Authority and the Financial Advisor assume no responsibility for the selection or uses of the CUSIP data or for the accuracy or correctness of such data. The CUSIP number for the Series 2012A Bonds is subject to being changed after the delivery of the Series 2012A Bonds as a result of various subsequent actions.

FRESNO COUNTY FINANCING AUTHORITY

BOARD MEMBERS AND OFFICERS

Deborah A. Poochigian	Chairperson
Henry Perea	Vice Chairperson
Susan B. Anderson	Member
Judith G. Case	Member
Phil Larson	Member
Vicki Crow, C.P.A.	Treasurer
Bernice E. Seidel	Secretary

COUNTY OF FRESNO, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

Deborah A. Poochigian, Chairman	Fifth District
Henry Perea, Vice Chairman	Third District
Susan B. Anderson	Second District
Judith G. Case	Fourth District
Phil Larson	First District

COUNTY OFFICIALS

Vicki Crow, C.P.A., Auditor-Controller/Treasurer-Tax Collector
John Navarrette, County Administrative Officer
Kevin B. Briggs, County Counsel
Bernice E. Seidel, Clerk to the Board of Supervisors

BOND COUNSEL AND DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

FINANCIAL ADVISOR

KNN Public Finance
A Division of Zions First National Bank
Oakland, California

No dealer, broker, salesperson or other person has been authorized by the County or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2012A Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Series 2012A Bonds. 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 fact.

The information set forth in this Official Statement has been obtained from the County and the Authority, and other sources which are believed by the County and the Authority to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the County or the Authority since the date hereof. All summaries of the Series 2012A Bonds, the Indenture and the Lease (each as defined herein) and other documents summarized herein, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

The County maintains a website at www.co.fresno.ca.us. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Series 2012A Bonds.

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PURCHASER MAY OFFER AND SELL THE SERIES 2012A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE INITIAL PUBLIC OFFERING PRICE STATED AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE PURCHASER.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2012A Bonds or the advisability of investing in the Series 2012A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and Appendix G – "Specimen Municipal Bond Insurance Policy" attached hereto.

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OFFICIAL STATEMENT

$22,425,000
FRESNO COUNTY FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2012A

INTRODUCTION

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 and appendices hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Indenture. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents" attached hereto.

General

The $22,425,000 Fresno County Financing Authority Lease Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds") are being issued pursuant to an Indenture, dated as of September 1, 2012 (the "Indenture"), by and between the Fresno County Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Series 2012A Bonds will be used to (i) pay and redeem the Authority's outstanding Lease Revenue Bonds, Series 2004 (Juvenile Justice Campus) (the "Series 2004A Bonds" and Lease Revenue Bonds, Series 2004 B (Energy Savings Projects) (the "Series 2004B Bonds" and, together with the Series 2004A Bonds, the "Prior Bonds"), (ii) pay the premiums for a municipal bond insurance policy and a reserve fund credit facility and (iii) pay certain costs of issuing the Series 2012A Bonds. See "The Project" herein.

The Series 2012A Bonds

The Series 2012A Bonds will mature on each August 1 in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2012A Bonds is payable on February 1 and August 1, commencing on February 1, 2013 (each, an "Interest Payment Date"), computed at the respective rates of interest set forth on the inside cover page of this Official Statement. The Series 2012A Bonds will be issued only in fully registered form in denominations of $5,000 and any integral multiple thereof. The Series 2012A Bonds are not subject to optional redemption or mandatory sinking fund redemption priot to their stated maturity dates. The Series 2012A Bonds are subject to extraordinary redemption as described herein. See "The Series 2012A Bonds – Redemption" herein.

Book-Entry Only

The Series 2012A Bonds will be issued in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the depository for the Series 2012A Bonds and all payments due on the Series 2012A Bonds will be made to Cede & Co. Ownership interests in the Series 2012A Bonds may be purchased only in book-entry form. See "The Series 2012A Bonds – Book-Entry Only System" herein and Appendix D – "Book-Entry Only System" attached hereto.

Security and Sources of Payment for the Series 2012A Bonds

The Series 2012A Bonds are payable from and secured by a pledge of Revenues (as defined herein) under the Indenture, consisting primarily of certain rental payments ("Base Rental Payments") to be made by the County to the Authority pursuant to the Lease, dated as of September 1, 2012 (the "Lease"), by and between the Authority and the County for the use and occupancy of the Leased Property (as defined herein). See "Security and Sources of Payment for the Series 2012A Bonds – Base Rental Payments" herein.

Pursuant to the Assignment Agreement, dated as of September 1, 2012 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority has assigned to the Trustee for the benefit of the Owners of the Series 2012A Bonds, without recourse, certain of its right under the Lease, including its rights to receive Base Rental Payments payable by the County under the Lease and any and all of the other right, title and interest of the Authority in the Lease for the purpose of securing, among other things, the payment of all sums due and owing to the Owners of the Series 2012A Bonds. See "Security and Sources of Payment for the Series 2012A Bonds" herein.

The County has covenanted under the Lease so long as the Leased Property is available for the County's use to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under the Lease in its "operating budget" (the "Operating Budget") for each fiscal year and to make all necessary appropriations therefor. See "Security and Sources of Payment for the Series 2012A Bonds" herein and Appendix B – "Summary of Certain Provisions of the Principal Legal Documents" attached hereto.

Bond Insurance

The payment of principal of and interest on the Series 2012A Bonds maturing August 1, 2017 through 2022, inclusive (the "Insured Series 2012A Bonds") when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") issued by Assured Guaranty Municipal Corp. concurrently with the issuance of the Insured Series 2012A Bonds. The Series 2012A Bonds maturing August 1, 2013 through 2016, inclusive, are not insured. See "Security and Sources of Payment for the Series 2012A Bonds – Bond Insurance" and "Bond Insurance" herein and Appendix B - "Summary of Certain Provisions of the Principal Legal Documents" attached hereto

Additional Bonds

The Authority may at any time under the Indenture and the Lease issue Additional Bonds payable from and secured by a pledge of the Revenues on a parity with the Series 2012A Bonds upon the satisfaction of certain conditions set forth therein. See "Security and Sources of Payment for the Series 2012A Bonds – Additional Bonds" herein and Appendix B – "Summary of Certain Provisions of the Principal Legal Documents" attached hereto.

The County

The County was established August 19, 1856 and is organized as a charter county under State law. The County charter was adopted on August 19, 1933. The County is governed by a five member Board of Supervisors. See Appendix A – "Financial, Economic and Demographic Information regarding the County of Fresno" attached hereto.

The Authority

The Authority, which is separate and apart from the County, operates under the terms of the Joint Exercise of Powers Agreement entered into by and between the County and the Industrial Development and Finance Authority of the County of Fresno (the "Industrial Development Authority"), dated as of

September 27, 1994 (the "JPA Agreement"). The JPA Agreement was entered into pursuant to the provisions of Articles 1 through 4, Chapter 5, Division 7, Title 1 of the Government Code of the State, commencing with Section 6500. The Authority was established to provide for the acquisition, disposition and/or financing of capital improvements and/or working capital for the County and the Industrial Development Authority.

Limited Liability

The obligation of the County to make Base Rental Payments and Additional Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2012A Bonds nor the obligation to make Base Rental Payments and Additional Rental payments constitutes an indebtedness of the County, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2012A Bonds are limited obligations of the Authority and shall be payable solely from the Revenues and amounts on deposit in the funds and certain accounts (other than the Rebate Fund) established under the Indenture. The Series 2012A Bonds do not constitute a debt or liability of the County or of the State and neither the faith and credit of the County nor of the State are pledged to the payment of the principal of or interest on the Series 2012A Bonds.

Continuing Disclosure

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2012A Bonds and the Authority will not provide any such information. The County has covenanted to provide, or cause to be provided to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (the "EMMA System") as a repository for purposes of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), certain annual financial information and operating data no later than eight months following the end of the County's fiscal year and, in a timely manner, notice of certain events. These covenants have been made in order to assist the Underwriter in complying with the Rule. The County has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of events required by its previous continuing disclosure undertakings. See "Continuing Disclosure" herein and Appendix F – "Form of Continuing Disclosure Certificate" attached hereto.

Forward-Looking Statements

Certain statements included or incorporated by reference in the 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. Although such expectations reflected in such forward-looking statements are believed to be reasonable, there can be no assurance that such expectations will prove to be correct. The County and the Authority are not 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.

Miscellaneous

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 Authority or the County since the date hereof.

Included herein are brief summaries of the Indenture and the Lease and certain documents and reports, which summaries 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. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents" attached hereto. 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 Authority or the County and the purchasers or Owners of any of the Series 2012A Bonds. Copies of such documents are on file and available for inspection at the corporate trust office of the Trustee.

THE LEASED PROPERTY

The Leased Property consists of the North Annex Jail facility located at 1265 "M" Street, Fresno, California. The North Annex Jail is a five-story facility with a maximum population of 1,728. The first two floors were constructed in 1993; the remainder of the facility was completed in 2003. The North Annex Jail contains 195,661 square feet and is presently valued at approximately $55.6 million. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Lease" attached hereto.

PLAN OF REFUNDING

The Series 2012A Bonds are being executed and delivered to refund the Prior Bonds in whole, pay the premiums for a municipal bond insurance policy and a reserve fund credit facility and pay certain costs of issuance in connection with the Series 2012A Bonds.

The Series 2004A Bonds were executed and delivered in the original principal amount of $26,000,000 to finance the acquisition, construction and improvement of certain juvenile justice facilities of the County. A portion of the proceeds of the Series 2012A Bonds will be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee for the Series 2004A Bonds (the "Prior Trustee") for deposit into the redemption subaccount with respect to the Series 2004A Bonds (the "Series 2004A Redemption Subaccount") established under the Indenture, dated as of February 1, 2004 (the "Original Indenture"), by and between the Authority and the Prior Trustee, as amended and supplemented by the First Supplemental Indenture, dated as of October 1, 2004 (the "First Supplemental Indenture" and, together with the Original Indenture, the "Prior Indenture"), by and between the Authority and the Prior Trustee. Such amounts will be held in an amount sufficient to pay the prepayment price of 101% of the Series 2004A Bonds to be paid on November 8, 2012 (the "Redemption Date"), plus interest accrued and due through the Series 2004A Redemption Date.

The Series 2004B Bonds were executed and delivered in the original principal amount of $14,375,000 to finance the acquisition, construction and improvement of certain energy savings projects of the County. A portion of the proceeds of the Series 2012A Bonds will be transferred to the Prior Trustee for deposit into the redemption subaccount with respect to the Series 2004B Bonds (the "Series 2004B Redemption Subaccount") established under the Prior Indenture. Such amounts will be held in an amount sufficient to pay the prepayment price of 101% of the Series 2004B Bonds to be paid on the Redemption Date, plus interest accrued and due through the Redemption Date.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2012A Bonds, exclusive of accrued interest, together with other available amounts, are expected to be applied as set forth below:

Estimated Sources of Funds	
Principal Amount	$22,425,000.00
Net Original Issue Premium	1,162,434.20
County Contribution	305,000.00
Transfers from Prior Indenture	3,362,022.65
Total Sources	$27,254,456.85
Estimated Uses of Funds	
Redemption of Series 2004A Bonds	$18,595,562.36
Redemption of Series 2004B Bonds	8,105,959.16
Costs of Issuance(1)	552,935.33
Total Uses	$27,254,456.85

(1) Includes underwriter's discount, legal, financial advisor and trustee fees, premiums for the Insurance Policy and the Reserve Policy (defined herein), printing costs and other costs of issuance.

THE SERIES 2012A BONDS

General

The Series 2012A Bonds will mature on each August 1 in the principal amounts set forth on the inside cover page hereof and will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. The Series 2012A Bonds will be dated the date of delivery set forth on the cover page hereof, will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover page hereof and are subject to redemption prior to maturity as set forth below. Interest on the Series 2012A Bonds will be payable on February 1 and August 1, commencing on February 1, 2013 (each an "Interest Payment Date"). Interest on the Series 2012A Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Book-Entry Only System

The Series 2012A Bonds will be delivered in book-entry form only, in denominations of $5,000 or any integral multiple thereof, and, when issued and authenticated, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Series 2012A Bonds. Individual purchases of the Series 2012A Bonds will be made only in book-entry form. Purchasers of the Series 2012A Bonds will not receive physical Series 2012A Bonds representing their ownership interests in the Series 2012A Bonds purchased. Principal of and interest on the Series 2012A Bonds 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 Series 2012A Bonds. See Appendix D – "Book-Entry Only System" attached hereto.

Redemption

No Optional or Sinking Fund Redemption. The Series 2012A Bonds are not subject to optional redemption or sinking fund redemption prior their stated maturity dates.

Extraordinary Redemption. The Series 2012A Bonds are subject to redemption, in whole or in part, on any date, from net proceeds received by the County of any insurance or condemnation award resulting from any damage, destruction, defective title or condemnation of any portion of the Leased Property pursuant to any insurance policy required to be maintained under the Lease (the "Net Proceeds"), at a redemption price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium. The Lease requires the County to apply Net Proceeds to repair, reconstruct or replace the Leased Property if to do so would fully restore the Leased Property. In the event that the Net Proceeds are not sufficient to fully restore the Leased Property, the County may elect to budget and appropriate additional funds and fully restore the Leased Property. If the County does not make such an election and the Net Proceeds are at least sufficient to redeem all of the Outstanding Bonds, at the principal amount thereof together with accrued interest, then the Net Proceeds will be used for that purpose; in the event the proceeds are not so sufficient, the County may elect to budget and appropriate additional funds so that the Net Proceeds are sufficient to redeem all of the Outstanding Bonds, at the principal amount thereof together with accrued interest, in which case the same will be used for this purpose. Further, the Lease provides that if there are not sufficient Net Proceeds so as to redeem all of the Outstanding Bonds and the County elects not to budget and appropriate additional funds necessary to redeem all of the Outstanding Bonds, then such Net Proceeds may be used to redeem a portion of the Outstanding Bonds provided that the fair rental value of the portions of the Leased Property not damaged, destroyed, incomplete or otherwise available for use or occupancy by the County, as determined by the County, is equal to or greater than the debt service on the Bonds that will remain outstanding following the redemption of Bonds in part from such Net Proceeds. If any portion of the Leased Property has been affected by a title defect which will result in an abatement of Base Rental Payments payable by the County under the Lease, then the Trustee is required to use Net Proceeds available from any policy of title insurance to redeem Outstanding Bonds. For a discussion of the insurance required to be maintained by the County, see "Security and Sources of Payment for the Series 2012A Bonds – Insurance" herein and Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Lease" attached hereto.

Method of Selection for Redemption. If less than all Outstanding Series 2012A Bonds are to be redeemed at any time from Net Proceeds, the Trustee is required to use the net insurance proceeds or condemnation awards attributable to the portion of the Leased Property destroyed, damaged, stolen or taken, to redeem, on a pro rata basis among all maturities of Series 2012A Bonds, as directed in writing by the County, pursuant to the Lease. Subject to the foregoing, if less than all Outstanding Series 2012A Bonds maturing by their terms on any one date are to be so redeemed at any one time, the Trustee will select the Series 2012A Bonds of such maturity date to be redeemed in any manner that it deems appropriate; provided, however, that if the remaining Base Rental Payments will not be reasonably level after such prepayment of Outstanding Series 2012A Bonds, the County will deliver to the Trustee an Opinion of Counsel that the Lease will continue to be valid and binding obligation of the County after such redemption.

Notice of Redemption. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of the Series 2012A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail; (ii) the Securities Depositories; (iii) the EMMA System.; and (iv) the Insurer. Notice of redemption to the Securities Depositories will be given by registered mail or by overnight delivery. Each notice of redemption will state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2012A Bonds of such maturity to be redeemed and, in the case of Series 2012A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2012A Bonds thereof and in the case of a Series 2012A Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2012A Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

With respect to any notice of redemption of the Series 2012A Bonds in accordance with the Indenture, in whole or in part, such notice may state that such redemption will be conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on the such Series 2012A Bonds to be redeemed, and that if such moneys have not been so received, said notice will be of no force and effect and the County and Authority will not be required to redeem such Series 2012A Bonds or to pay any amounts to the Owners of the Series 2012A Bonds except to pay principal of and interest on the Series 2012A Bonds in accordance with the Indenture. In the event that such conditional notice of redemption contains such a provision and such moneys are not so received, the conditional redemption shall not be made and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received and that the conditional redemption was cancelled. The County may rescind any redemption, and notice thereof may be rescinded by County for any reason, by providing written notice of such rescission to the Trustee on any date prior to the date fixed for redemption. Within one day of receipt of such written notice, the Trustee will give written notice of the rescission to the Owners of the Series 2012A Bonds so called for redemption. Notice of rescission of redemption will be given by the Trustee in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2012A Bond of notice of such rescission will not be a condition precedent to such rescission and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

If notice of redemption has been duly given as provided in the Indenture and money for the payment of the redemption price of the Series 2012A Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, the Series 2012A Bonds will become due and payable, and from and after the date so designated, interest on the Series 2012A Bonds so called for redemption will cease to accrue, and the Owners of such Series 2012A Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Failure by the Trustee to give notice to any one or more of the Securities Depositories or the EMMA System, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail or otherwise provide notice of redemption to any one or more of the respective Owners of any Series 2012A Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Insurer or the Owners to whom such notice was mailed.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS

Pledge of Revenues; Appropriations

The Series 2012A Bonds are payable from and secured by a pledge of Revenues under the Indenture. "Revenues" means all Base Rental Payments to be made by the County pursuant to the Lease and interest or profits from the investment of money in any fund, account or subaccount (other than the Rebate Fund) pursuant to the Indenture. The County has covenanted under the Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental (defined herein) due under the Lease in its operating budget for each fiscal year commencing after the date of delivery (the "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Rental. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Lease" attached hereto. However, the Base Rental Payments and Additional Rental will be abated in whole or in part if there is substantial interference with the County's use and possession of any portion of the Leased Property due to damage, destruction, title defect or condemnation. See "Risk Factors – Abatement" herein.

Base Rental Payments are calculated to be sufficient to pay the principal of and interest on the Series 2012A Bonds when due. To the extent permitted by law, the County has covenanted under the Lease to take such action as may be necessary to amend or supplement the budget appropriations for payments under the Lease at any time and from time to time during any fiscal year if the actual Base Rental Payments and Additional Rental payable in any fiscal year exceeds the appropriations then contained in the County's budget. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Lease" attached hereto.

Base Rental Payments

The Series 2012A Bonds are payable from Base Rental Payments made by the County under the Lease for the use and possession of the Leased Property during each annual lease year. The Indenture requires that Base Rental Payments be deposited in the Bond Fund maintained by the Trustee. Pursuant to the Indenture, on August 1 and February 1 of each year, commencing on February 1, 2013, the Trustee will apply amounts in the Bond Fund to make principal and interest payments, as applicable, with respect to the Series 2012A Bonds as the same will become due and payable and in amounts sufficient to meet the payment schedule on the Series 2012A Bonds.

The annual Base Rental Payments to be made by the County under the Lease is set forth below.

Fiscal Year (Ending June 30)	Principal	Interest	Total Base Rental Payments
2013	$ --	$ 201,133.33	$ 201,133.33
2014	2,625,000.00	620,250.00	3,245,250.00
2015	2,695,000.00	553,575.00	3,248,575.00
2016	2,770,000.00	471,600.00	3,241,600.00
2017	2,855,000.00	387,225.00	3,242,225.00
2018	2,935,000.00	300,375.00	3,235,375.00
2018	2,170,000.00	223,800.00	2,393,800.00
2020	1,765,000.00	164,775.00	1,929,775.00
2021	1,820,000.00	111,000.00	1,931,000.00
2022	1,870,000.00	55,650.00	1,925,650.00
2023	920,000.00	13,800.00	933,800.00
Total	$22,425,000.00	$3,103,183.33	$25,528,183.33

Pursuant to the Lease and, in accordance with the rights of the Authority assigned by the Authority to the Trustee pursuant to the Assignment Agreement, the County is required to deposit with the Trustee not later than seven Business Days preceding each February 1 and each August 1 in each fiscal year during the term of the Lease, commencing on February 1, 2013. Base Rental Payments due in the then current fiscal year are due as provided in the Lease. Amounts received by the Trustee will be held as security for the payments due on the Series 2012A Bonds. The amount of Base Rental Payments is designed to be sufficient to pay principal of and interest and redemption premiums, if any, on the Series 2012A Bonds when due. The Lease also provides that, except to the extent of amounts in the Bond Fund, amounts received in respect of the County's rental interruption insurance and amounts, if any, otherwise legally available for payments in respect of the Series 2012A Bonds, Base Rental Payments and Additional Rental will be abated in whole or in part if there is substantial interference with the County's use and possession of any portion of the Leased Property due to damage, destruction, title defect or condemnation. The amount of abatement will be such that the resulting Base Rental Payments and Additional Rental represent fair consideration for the use and possession of the remaining portions of the Leased Property as to which such damage, destruction, title defect or condemnation do not substantially interfere with the use and right of possession by the County. Such abatement will continue for the period commencing with the date of the substantial interference due to damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned. See "Risk Factors – Abatement" herein.

The County is obligated to make Base Rental Payments from any and all monies in its Operating Budget. The County has covenanted under the Lease to take such action as may be necessary to include all

Base Rental Payments and Additional Rental due under the Lease in its Operating Budget for each fiscal year and to make all necessary appropriations for such Base Rental Payments and Additional Rental therefor. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents" attached hereto.

Notwithstanding the foregoing, the County's obligation to make Base Rental Payments under the Lease is subject to abatement if, by reason of material damage to, destruction or condemnation of, or title defect with respect to, the Leased Property, there is substantial interference with the County's right to use and possess the Leased Property. See "Risk Factors – Abatement" herein and Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Lease" attached hereto.

Bond Insurance

The payment of principal of and interest on the Insured Series 2012A Bonds when due will be guaranteed under the Insurance Policy issued by Assured Guaranty Municipal Corp. concurrently with the issuance of the Insured Series 2012A Bonds. The Series 2012A Bonds maturing August 1, 2013 through 2016, inclusive, are not insured. See "Bond Insurance" herein and Appendix B - "Summary of Certain Provisions of the Principal Legal Documents" attached hereto.

Additional Rental

Pursuant to the Lease, the County will also pay, as rental under the Lease in addition to the Base Rental Payments, to the Authority or the Trustee, such amounts in each year as shall be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Lease or the assignment of the Lease pursuant to the Assignment Agreement, the Indenture or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the County under the Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Series 2012A Bonds or any Additional Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by the Authority to comply with the terms of the Series 2012A Bonds, any Additional Bonds or the Indenture.

Additional Bonds

The Authority may at any time, with the prior written consent of the Insurer, issue Additional Bonds payable from Revenues as provided in the Indenture and secured by a pledge of Revenues on a parity with the pledge securing the Outstanding Bonds, subject to certain conditions set forth in the Indenture, including the following:

(i) The Authority will be in compliance with all agreements and covenants contained in the Indenture and no Event of Default will have occurred and be continuing under the Lease.

(ii) The issuance of such Additional Bonds will have been authorized by the Authority and will have been provided for by a Supplemental Indenture which will specify, among other things, the following:

(a) The purpose for which such Additional Bonds are to be issued; provided that proceeds of such Additional Bonds will be applied solely for the purpose of (1) financing, acquiring, constructing, maintaining, operating, improving and leasing the Project and, including payment of all costs incidental to or connected with such financings; (2) increasing the Reserve Requirement; and/or (3) refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding; and

(b) The amount to be deposited from the proceeds of sale of such Additional Bonds in the Reserve Account, which amount will be sufficient to cause the amount on deposit in the Reserve Account to equal the Reserve Requirement upon the issuance of such Additional Bonds.

(iii) The Lease will have been further amended so as to increase the aggregate Base Rental payable by the County thereunder by an amount at least sufficient to pay the interest on and principal of such Additional Bonds as the same become due, subject to the limitation that the increase in Base Rental together with existing Base Rental Payments will not in any year be in excess of the annual fair rental of the Leased Property determined as of the time the Additional Bonds are issued.

(iv) The Authority shall have received confirmation in writing from the Rating Agency that the issuance of such Additional Bonds will not, in and of itself, cause a downgrading or withdrawal of such rating. The Authority shall not be required to seek such a confirmation in writing if the annual amount of interest and principal, including sinking fund payments, payable on the Additional Bonds, does not exceed the corresponding amount of such payments on the Outstanding Bonds being refunded; provided, that the term of the Additional Bonds does not exceed the term on the Outstanding Bonds being refunded.

For additional information with respect to the issuance of Additional Bonds under the Indenture, see Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Indenture" attached hereto.

Limited Liability

The obligation of the County to make Base Rental Payments and Additional Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2012A Bonds nor the obligation to make Base Rental Payments and Additional Rental payments constitutes an indebtedness of the County, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2012A Bonds are limited obligations of the Authority and shall be payable solely from the Revenues and amounts on deposit in the funds and certain accounts (other than the Rebate Fund) established under the Indenture. The Series 2012A Bonds do not constitute a debt or liability of the County or of the State and neither the faith and credit of the County nor of the State are pledged to the payment of the principal of or interest on the Series 2012A Bonds.

Reserve Account

The Reserve Requirement under the Indenture will initially be satisfied through the deposit of a municipal bond debt service reserve insurance policy issued by Assured Guaranty Municipal Corp. (the "Reserve Policy") in an amount equal to the Reserve Requirement in the Reserve Account established within the Bond Fund. The "Reserve Requirement" means, as of any date of calculation, the least of (i) 10% of the original principal amount of the Series 2012A Bonds and any Additional Bonds then Outstanding (collectively, the "Bonds"); (ii) Maximum Annual Debt Service for the current or any future Bond Year; or (iii) 125% of average Annual Debt Service. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Indenture" attached hereto.

The deposit of the Reserve Policy and any future Reserve Fund Credit Facility or moneys subsequently deposited in the Reserve Account will be held in trust as a reserve for the payment when due of all the Base Rental Payments and Prepayments to be paid pursuant to the Lease and of all payments on the Series 2012A Bonds. If the Reserve Account contains both a Reserve Fund Credit Facility and cash, any cash on deposit shall be drawn completely before any demand is made on the Reserve Fund Credit Facility. All amounts in the Reserve Account will be used and withdrawn by the Trustee for the sole purpose of replenishing the Interest Account or the Principal Account in such order, in the event of any deficiency at any time in either of such accounts, or for the purposes of paying the interest, principal or redemption premiums, if any, on the Series 2012A Bonds and any Additional Bonds in the event that no other money of the Authority is lawfully available therefor, or for the retirement of all the Series 2012A Bonds and any Additional Bonds then Outstanding so long as the Authority is not in default under the Indenture.

All interest income received by the Trustee on investment of moneys in the Reserve Account will be transferred to the Rebate Fund to the extent required pursuant to the Indenture, as set forth in a Written Request of the Authority or the County to the Trustee, and thereafter to the Interest Account. The Trustee will retain such interest income in the Reserve Account to the extent that amounts therein have been transferred to make up a deficiency in the Interest Account or the Principal Account. Amounts in the Reserve Account in excess of the Reserve Requirement as of a Base Rental Payment Date may be transferred to the Interest Account and to the Principal Account on such Base Rental Payment Date and applied as a credit for Base Rental Payments then due to be paid by the County. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents" attached hereto.

Substitution and Removal of Leased Property

The County and the Authority may, with the prior written consent of the Insurer, amend the Lease to substitute real property and/or improvements (the "Substituted Property") for the existing Leased Property (a "Substitution") or to remove real property (including undivided interests therein) or improvements from the definition of Leased Property (a "Removal"), upon compliance with all of the conditions set forth in the Lease and described below. After a Substitution or Removal, the portion of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold encumbrance of the Lease.

No Substitution or Removal will take place under the Lease until the County delivers to the Authority and the Trustee, among other documents, the items listed below. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Lease" attached hereto.

(i) A Certificate of the County accompanied by an MAI fair market appraisal or a fair market appraisal utilizing appropriate valuation methodology from an appraiser, who may but need not be an employee of the County, evidencing that the annual fair rental value of the Leased Property after such Substitution or Removal will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year; and stating that the useful economic life of the Substituted Property is at least equal to the remaining term of the Lease;

(ii) A policy of title insurance in the aggregate principal amount of all Series 2012A Bonds and Additional Bonds Outstanding as of the date of such policy in form and substance reasonably satisfactory to the Authority and the Trustee; and

(iii) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Series 2012A Bonds and any Additional Bonds to be includable in gross income of the Owners thereof for federal income tax purposes.

Insurance

The Lease requires the County to procure or cause to be procured and maintain or cause to be maintained throughout the term thereof for the Leased Property insurance against the following risks in the following respective amounts:

(i) Insurance against loss or damage to the Leased Property caused by fire, lightning or earthquake, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss; provided that earthquake coverage will be required only if it is available from reputable insurers at commercially reasonable rates. In the event the County is unable to obtain earthquake coverage on any Leased Property which it previously has maintained, it will promptly so notify all Rating Agencies then rating the Series 2012A Bonds or any Additional Bonds. It is anticipated that the County will not obtain earthquake insurance on the Leased Property. The insurance described in this paragraph (i) will be in an amount equal to the greater of (i) the lesser of (a) replacement cost (without deduction for depreciation) of improvements located or to be located on the Leased Property or $54,100,000 in the case of earthquake insurance, or (b) the remaining unpaid principal amount of Series 2012A Bonds and any Additional Bonds Outstanding plus the amount of rental interruption coverage described in paragraph (ii) below in the case of all other insurance required under paragraph (ii); provided further such insurance may be subject to deductible clauses of not to exceed the first one hundred thousand dollars ($100,000) of the amount of any one loss (or ten percent (10%) of the amount insured, in the case of earthquake). Insurance described in this paragraph (i) and in paragraph (ii) below may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property insured by the County; provided that the amount of coverage available thereunder will be at least equal to the cumulative replacement values of the Leased Property and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("Financed Properties") for which bonds, certificates of participation or other obligations will have been issued ("Obligations") plus the amount of rental interruption coverage required by paragraph (ii) below. In the event the County elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property and all Financed Properties or to repay all Obligations, the Series 2012A Bonds and any Additional Bonds on a pro rata basis.

(ii) Rental interruption coverage against loss, total or partial, of the use and occupancy of the Leased Property as a result of any of the hazards covered by the insurance described in paragraph (i) immediately above, in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property for a twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments attributable to the Leased Property; and provided further, that such insurance may be part of a policy described in paragraph (i) above, which policy may provide that insurance proceeds paid for coverage described in paragraph (i) above may reduce amounts payable under coverage described in this paragraph (ii) and vice-versa. The County may obtain rental interruption coverage covering the Leased Property as well as other parcels of property owned by the County, provided that the cumulative amount thereof is at least equal to the cumulative amount of rental interruption coverage required by the Lease and any similar agreements relating to Financed Property in respect of which Obligations are outstanding. There can be no assurance that the coverage afforded by such insurance will be adequate to prevent a reduction in Base Rental Payments. See "Risk Factors – Abatement" herein.

(iii) Workers' compensation insurance or an approved self-insurance or self-funding method or plan permitted by the Lease covering all County employees working in or on the Project and the Leased Property; and the County will require any other person or entity working in or on the Project and the Leased Property to carry the workers' compensation insurance in connection with statutory requirements; any such policy may provide for a deductible so long as the deductible is covered by a self-insurance or self-funding method or plan permitted by the Lease.

(iv) Standard, commercial general liability insurance to protect the Authority and the County and their directors, officers and employees, indemnifying and defending such parties against direct or contingent loss or liability for damages for personal injury, death or property damage related to the possession, operation or use of the Leased Property, with a minimum combined single limit of ten million dollars ($10,000,000) for personal injury or death of one or more persons, and for property damage, in each accident or event (subject to a self-insured retention clause of not to exceed one million dollars ($1,000,000) or such greater amount as may be covered by any coverage plan, self-insurance or self-funding method or plan permitted by the Lease).

The insurance required by paragraphs (i) through (iv) above may be maintained (1) as part of or in conjunction with any other liability or property insurance coverage carried by the County and may be maintained through a joint exercise of powers authority created for the purpose or (2) in the case of the insurance required by paragraph (i), (iii), and (iv), in the form of self-insurance, self-funding or coverage program by the County. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Lease" attached hereto. Any self-insurance, self-funding or coverage program maintained by the County will, unless waived with the consent of the Insurer (as defined herein), comply with the following terms:

(a) The self-insurance program and coverage program will be approved by an Insurance Consultant, who may be the County's Risk Manager;

(b) The self-insurance program and coverage program will be maintained on an actuarially sound basis and the self-insurance program and coverage program will annually receive a certified actuarial statement attesting to the sufficiency of the programs' assets;

(c) The self-insurance fund and coverage program will be held in a separate trust fund by an independent trustee; and

(d) In the event the self-insurance program or coverage program is discontinued, the actuarial soundness of the claim reserve fund will be maintained.

Any insurance policy issued pursuant to paragraph (i) above will be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance described in paragraph (i) above will be applied as provided in the Lease. The net proceeds, if any, of the insurance policy described in paragraph (i) above will, to the extent that such proceeds are paid on account of loss or damage to the Leased Property, be payable to the Trustee and deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as described in the Indenture. The net proceeds, if any, of the insurance policy described in paragraph (ii) above will, to the extent that such proceeds relate to the use and occupancy of the Leased Property, be payable to the Trustee and deposited in the Bond Fund. Each insurance policy provided for in the Lease will contain a provision to the effect that the insurance company will not cancel the policy or modify it materially and adversely to the interests of the Authority and the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

BOND INSURANCE

The following information relates to and has been furnished by the Bond Insurer for inclusion herein. The Authority and the County cannot and do not make any representation as to the accuracy or completeness of such information or the absence of material adverse changes in such information subsequent to the date hereof. The delivery of this Official Statement will not create any implication that there has been no change in the affairs of the Bond Insurer since the date hereof or that the information contained or referred to under this caption "Bond Insurance" is correct as of any time subsequent to its date.

Bond Insurance Policy

Concurrently with the issuance of the Insured Series 2012A Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Insured Series 2012A Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2012A Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM. AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term.

Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012.

Capitalization of AGM

At June 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,169,404,271 and its total net unearned premium reserve was approximately $2,204,572,593, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, for the quarterly period ended March 31, 2012, and for the quarterly period ended June 30, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at http://www.assuredguaranty.com, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2012A Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Insured Series 2012A Bonds or any uninsured Series 2012A Bonds offered under this Official Statement and may hold such Insured Series 2012A Bonds or uninsured Series 2012A Bonds for investment or may sell or otherwise dispose of such Insured Series 2012A Bonds or uninsured Series 2012A Bonds at any time or from time to time.

AGM makes no representation regarding the Series 2012A Bonds or the advisability of investing in the Series 2012A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

THE AUTHORITY

The Authority was established to provide for the acquisition, disposition and/or financing of capital improvements and/or working capital for the County and the Industrial Development Authority. The Board of Directors of the Authority consists of the 5 members who comprise the Board of Supervisors of the

County. The Authority operates under the terms of the JPA Agreement which was entered into pursuant to the provisions of Articles 1 through 4, Chapter 5, Division 7, Title I of the Government Code of the State, commencing with Section 6500. Under the terms of the JPA Agreement, the Authority is authorized, in its own name, to exercise any of the powers which are common to the County and the Industrial Development Authority and all power provided to the JPA by law and necessary for the accomplishment of the purposes of the JPA Agreement.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the risks inherent in the purchase of the Series 2012A Bonds. Such factors described below are not intended to be an exhaustive list of all risk factors potential investors should consider.

Not a Pledge of Taxes

The obligation of the County to make Base Rental Payments and Additional Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2012A Bonds nor the obligation to make Base Rental Payments and Additional Rental payments constitutes an indebtedness of the County, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2012A Bonds are limited obligations of the Authority and shall be payable solely from the Revenues and amounts on deposit in the funds and certain accounts (other than the Rebate Fund) established under the Indenture. The Series 2012A Bonds do not constitute a debt or liability of the County or of the State and neither the faith and credit of the County nor of the State are pledged to the payment of the principal of or interest on the Series 2012A Bonds.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease to pay Base Rental Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental in its Operating Budget for each fiscal year and to make all necessary appropriations therefor, subject to abatement of such payments under certain circumstances. The County is currently liable on other obligations payable from General Fund revenues of the County. See Appendix A – "Financial, Economic and Demographic Information regarding the County of Fresno" attached hereto.

Additional Obligations of the County

The Base Rental Payments and Additional Rental due under the Lease are payable from the County's Operating Budget. The County has entered, and has the capability to enter, into other obligations which may constitute additional charges against its Operating Budget. The County currently is liable on other obligations payable from the Operating Budget. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments and Additional Rental may be decreased. In the event that the amounts which the County is obligated to pay in a fiscal year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, which could result in default of Series 2012A Bonds, including Base Rental Payments and Additional Rental, based on the County's perceived needs.

Limitations on Remedies

The rights of the Owners of the Series 2012A Bonds are subject to the limitations on legal remedies against public entities in the State, such as the County, including a limitation on enforcement obligations against County funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Series 2012A Bonds, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Series 2012A Bonds 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.

Default; Remedies Upon Default; No Right of Acceleration

In the event of default under the Lease, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Lease prior to dates on which they are due and payable. The remedies provided for in the Lease include, in addition to all other remedies provided at law, terminating the Lease and reletting the Leased Property or without terminating the Lease, collecting each installment of rent as it becomes due and holding the County liable for Base Rental Payments on an annual basis. Any such 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 of a fiscal year other than the fiscal year in which the applicable Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Except to the extent of (i) amounts held by the Trustee in the Bond Fund or the Reserve Account of the Bond Fund; (ii) amounts received in respect of County's rental interruption insurance; and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2012A Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the County of any portion of the Leased Property, Base Rental Payments and Additional Rental due under the Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments will be abated only by an amount equal to the difference thereof. Any abatement of Base Rental Payments and Additional Rental pursuant to the Lease will not be considered an Event of Default. The County has waived the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Lease by virtue of any such interference and the Lease will continue in full force and effect. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

If Base Rental Payments and Additional Rental is abated, in whole or in part, pursuant to the Lease due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, the County has agreed to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – The Lease" attached hereto.

Seismic Events; Force Majeure

The State of California, including the Fresno area, is a seismically active region. There are several geological faults in the area which have the potential to cause serious earthquakes and damage to the Leased Property. The County is required under the Lease to maintain earthquake insurance on the Leased Property only if, such insurance is available from reputable insurers at commercially reasonable rates and the Leased Property cannot satisfy any earthquake standards which may be imposed by any Rating Agency then rating the Series 2012A Bonds or any Additional Bonds. If the County is unable to obtain earthquake coverage on any Leased Property which it previously has maintained, it will promptly so notify all Rating Agencies then rating the Series 2012A Bonds or any Additional Bonds.

If an earthquake were to cause serious damage to the Leased Property during any period when the Leased Property was not insured for earthquake damage, or if the proceeds of any earthquake insurance were insufficient to replace or repair the damaged Leased Property, the County would be limited to its general fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to make Base Rental Payments and Additional Rental would be subject to abatement. The County will not be obligated to repair or restore the Leased Property in the event of damage to the Leased Property caused by an earthquake and certain other perils set forth in the Lease and the Net Proceeds of the applicable insurance policy is insufficient to pay the costs of reconstruction of the Leased Property. See "Risk Factors – Abatement" herein.

The Leased Property may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The County cannot predict what force majeure events may occur in the future. For additional information regarding the County's risk management programs, see Appendix A – "County Financial, Economic and Demographic Information regarding the County of Fresno – County Financial Information – Risk Management" and Appendix B– "Summary of Certain Provisions of the Principal Legal Documents – Lease – Maintenance; Taxes, Insurance and Other Charges – Insurance" attached hereto.

Insurance

If the Leased Property is damaged or destroyed, in whole or in part, the County must use the Net Proceeds, if any, received thereby, either (i) to repair or replace the portion or portions so damaged or destroyed, or (ii) redeem the Series 2012A Bonds to prepay Base Rental Payments. There can be no assurance that (i) if the Leased Property is destroyed in whole, there will be sufficient Net Proceeds to redeem all of the Outstanding Bonds at the principal amount thereof, plus accrued interest, or (ii) if the Leased Property is damaged or destroyed in whole or in part, that there will be sufficient Net Proceeds to rebuild or reconstruct the Leased Property so that the fair rental value thereof exceeds the annual Base Rental Payments and Additional Rental to be made under the Lease. In the event that the fair rental value of the Leased Property as so rebuilt or reconstructed does not exceed the annual Base Rental Payments and Additional Rental to be made under the Lease, the Owners will have no remedy to enforce payments under the Series 2012A Bonds to the extent that amounts have been abated under the Lease.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Lease. See Appendix B – "Summary of Certain Provisions of the Principal Legal Documents – Lease – Affirmative Covenants of the Authority and the County – Insurance" attached hereto. The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Leased Property. No assurance can be given that the self-insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. See "Security and Sources of Payment for the Series 2012A Bonds – Abatement" and "– Abatement" herein.

Eminent Domain

If the Leased Property is taken in part pursuant to eminent domain proceedings and the remaining portion of the Leased Property is still useful for the purposes originally intended, the Net Proceeds from such eminent domain proceedings will be used to redeem the Series 2012A Bonds then outstanding in an amount equal to such condemnation proceeds. In such event, the County's Base Rental Payment obligations will be proportionately abated under the Lease. There can be no assurance that the amount of such condemnation proceeds will be sufficient to redeem enough Outstanding Bonds so that the amount of Base Rental Payments which have not been abated will be sufficient to make all principal and interest payments evidenced by the remaining Outstanding Bonds.

If the Leased Property has been taken in whole pursuant to such eminent domain proceedings or has been taken in part to such extent that the remaining portion of the Leased Property is no longer useful for the purposes originally intended, all Net Proceeds will be applied to the redemption of the Outstanding Bonds. In such event, there can be no assurance made that the amount of eminent domain proceeds and other moneys available will be sufficient to redeem all of the Outstanding Bonds at their principal amount, plus accrued interest.

Insurer Default

The ability of the Insurer make payments of principal and interest evidenced by the Base Rental Payments in connection with the Series 2012A Bonds is based solely upon the Insurer's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. The Insurer's obligation to pay the principal and interest evidenced by the Base Rental Payments in connection with the Series 2012A Bonds as and when due under the terms set forth in the Policy are subject to the risk that the Insurer is unable or unwilling to make payment in amounts equal to such obligations as a result of bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect against the Insurer or other adverse financial conditions affecting the Insurer. Further, the market price of the Series 2012A Bonds may be adversely affected by the financial condition of the Insurer, without regard to the financial condition of the County or the Authority. No provision has been made for replacement or collateralization of or substitution for the Policy in the event of any deterioration in the financial condition of the Insurer. See "Bond Insurance" and "Ratings" herein.

Financial Condition of the United States

Due to the ongoing uncertainty regarding the debt of the United States of America, including without limitation, the general economic conditions in the United States, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Series 2012A Bonds, could be subject to a rating downgrade. Furthermore, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and the ratings, liquidity, and market value of outstanding debt obligations such as the Series 2012A Bonds. See "Ratings" herein.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Series 2012A Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Series 2012A Bonds is exempt from personal income taxes imposed by the State of California

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2012A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2012A Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2012A Bonds in order that interest on the Series 2012A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2012A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2012A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2012A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2012A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2012A Bonds.

Prospective owners of the Series 2012A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2012A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2012A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2012A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2012A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the Series 2012A Bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the Series 2012A Bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the Series 2012A Bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the Series 2012A Bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2012A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2012A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012A Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2012A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2012A Bonds.

Prospective purchasers of the Series 2012A Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2012A Bonds and the Authority will not provide any such information. The County has agreed in the Resolution and will covenant in a Continuing Disclosure Certificate to be executed in connection with the delivery of the Series 2012A Bonds that, upon the occurrence of any of the following "Listed Events," it will report the occurrence of such event to either the MSRB through its EMMA system or to another repository designated by the MSRB or the SEC within 10 Business Days (as defined in the Continuing Disclosure Certificate). Listed Events include any of the following events so long as the Series 2012A Bonds are outstanding: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) modifications to rights of Holders, if material; (iv) bond calls, if material and tender offers; (v) defeasances; (vi) rating changes; (vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2012A Bonds, or other material events affecting the tax status of the Series 2012A Bonds; (viii) unscheduled draws on the debt service reserves reflecting financial difficulties; (ix) unscheduled draws on the credit enhancements reflecting financial difficulties; (x) release, substitution or sale of property securing repayment of the Series 2012A Bonds, if material; (xi) bankruptcy, insolvency, receivership or similar event of the County (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government 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 governing 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; (xii) substitution of credit or liquidity providers, or their failure to perform; (xiii) the consummation of a merger, consolidation, or acquisition involving the 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, if material; (xiv) appointment of a successor or additional

Trustee or the change of name of a Trustee, if material; and (xv) any amendment or waiver of a provision of this Disclosure Certificate. The County's obligations under the Continuing Disclosure Certificate with respect to continuing disclosure shall terminate upon payment in full of all of the Series 2012A Bonds without any requirement to provide notice to any owner or holder of the Series 2012A Bonds. If such termination occurs prior to the final maturity of the Series 2012A Bonds, the County shall give notice of such termination in the same manner as for a Listed Event. See Appendix F – "Form of Continuing Disclosure Certificate" attached hereto.

These covenants have been made in order to assist the Underwriter's compliance with Rule 15c2-12(b)(5) of the SEC. The County has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of events.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. Article XIII A further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district, community college district or county office of education (which is separate from the County) 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 school district, community college district or the County, as appropriate, but only if certain accountability measures are included in the proposition.

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

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

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

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly 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 XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Article XIII B includes a requirement pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent 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 from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

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

The County's annual appropriation limit for the Fiscal Year 2012-13 is approximately $443.5 million. The limitation applies only to proceeds of taxes and therefore does not apply to regulatory licenses, user charges, user fees and service fees and charges that do not exceed the reasonable cost of services, 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 County's adopted budget for Fiscal Year 2012-13, the funds subject to the annual appropriation limit will total approximately $235.4 million (total General Operating Budget minus non-proceeds of taxes and debt service) and are approximately $208.2 million below the Article XIII B limit.

Proposition 62

Proposition 62 was adopted by the California 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 imposed for specific 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 XIII A 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) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino ("Guardino")*, upheld the constitutionality of Proposition 62. In *Guardino*, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively. Since the adoption of Proposition 62, the County has enacted increases in taxes in compliance therewith.

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

Proposition 218

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the County, to impose and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay principal of and interest on the Series 2012A Bonds and perform its other obligations as and when due.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote of the electorate and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. The County has identified its public library special tax, its Mello-Roos special taxes that support law enforcement services, and its real property transfer tax, as the only taxes that could be reduced or repealed in connection with the broad initiative powers of tax reduction or repeal extended by Proposition 218. Also, the County has adopted fees and charges to fund specific programs in certain maintenance districts and County service areas. If the County is unable to collect fees and charges relating to those specific programs as a consequence of Proposition 218, the County's current practice is to curtail such services rather than use amounts in the County General Fund (the "County General Fund") to finance such programs.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the "Proposition 218 Omnibus Implementation Act"), which directed that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the County would be able to pay the principal of and interest on the Series 2012A Bonds as and when due or any of its other obligations payable from the County General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the County, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the principal of and interest on the Series 2012A Bonds, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency [subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIIIC] 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 fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased 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, ambulance 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 of such property-related fee or charge, 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, 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 County, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, the County does not presently anticipate that any impact Article XIII D may have on future fees and charges will adversely affect the ability of the County to pay the principal of and interest on the Series 2012A Bonds as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the fees and charges that presently finance them are reduced or repealed.

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

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California 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 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 Legislature. Proposition 1A 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 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 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. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See " – Proposition 22" below.

Proposition 22

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See " – Proposition 1A" herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2012-13.

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See " – Proposition 218" herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

LITIGATION

No litigation is pending or threatened concerning the validity of the Series 2012A Bonds. The County is not aware of any litigation pending or threatened questioning the political existence of the County or contesting or affecting the validity of the Series 2012A Bonds or any proceedings of the County and the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2012A Bonds or the use of the proceeds of the Series 2012A Bonds.

There are a number of lawsuits and claims pending against the County. The County does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the County that would affect the County's ability to make its payments of principal of and interest on the Series 2012A Bonds.

LEGAL MATTERS

The validity of the Series 2012A Bonds and certain other matters are subject to the approving opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix E attached hereto. Certain legal matters will be passed upon for the County by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the County and the Authority by the County Counsel of the County. Bond Counsel and County Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

RATINGS

Standard & Poor's, a Division of the McGraw-Hill Companies, Inc. ("S&P"), is expected to assign a rating of "AA- (stable outlook)" to the Insured Series 2012A Bonds with the understanding that, upon the delivery of the Insured Series 2012A Bonds, the Insurance Policy will be issued by Assured Guaranty Municipal Corp. S&P has assigned the underlying rating of "AA-" to the Series 2012A Bonds. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained from S&P as follows: Standard & Poor's, 55 Water Street, New York, New York 10041, (212) 208-8000. 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 such rating agencies, if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2012A Bonds.

S&P, Moody's Investor Services, and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have each released statements on the health of the financial guaranty industry that cite financial guarantors' exposure to subprime mortgage risk as an area of stress for the financial guaranty industry. In various releases, each of the Rating Agencies has outlined the processes that it intends to follow in evaluating the effect of this risk on its respective ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade, or a downgrade. Potential investors are directed to the Rating Agencies for additional information on their respective evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See "Bond Insurance", "Risk Factors – Insurer Default" and "Risk Factors – Financial Condition of the United States" herein.

UNDERWRITING

The Series 2012A Bonds were sold at competitive bid on September 27, 2012. The Series 2012A Bonds were awarded to Morgan Stanley & Co. LLC (the "Underwriter"), at a purchase price of $23,385,195.77 which amount is equal to the original principal amount of the Series 2012A Bonds of $22,425,000.00 plus a net original issue premium of $1,162,434.20, less an underwriting fee in the amount of $202,238.43. The Official Notice Inviting Bids provides that all Series 2012A Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice Inviting Bids, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriter will represent to the County that the Series 2012A Bonds have been re-offered to the public at the prices or yields as stated on the inside front cover page hereof.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2012A Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012A Bonds.

FINANCIAL ADVISOR

KNN Public Finance, a Division of Zions First National Bank, served as Financial Advisor to the County in connection with the issuance of the Series 2012A Bonds.

FINANCIAL STATEMENTS

The County's financial statements for the Fiscal Years ended June 30, 2011 and the Independent Auditor's Report regarding the financial statements are included as Appendix C hereto. The financial statements for the Fiscal Years ended June 30, 2011 have been audited by Price Paige & Company, independent certified public accountants, as stated in their report. Price Paige & Company was not requested to consent to the inclusion of its report as Appendix C hereto and it has not undertaken to update the financial statements included as Appendix C hereto or their report, and no opinion is expressed by Price Paige & Company with respect to any event subsequent to their report.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the County and the Authority. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the County or the Authority and the purchasers or holders of any of the Series 2012A Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof. All references to law, the Indenture, Lease, Site Lease, Assignment Agreement and other documents are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such laws and such documents for a full and complete statement of such provisions.

FRESNO COUNTY FINANCING AUTHORITY	COUNTY OF FRESNO
/s/ Deborah A. Poochigian	/s/ John Navarrette
Chairperson	County Administrative Officer

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING FRESNO COUNTY

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FINANCIAL AND ECONOMIC INFORMATION

Budgetary Process

The County of Fresno (the "County") is required by State of California (the "State") law to adopt on or before October 2 a fiscal line item budget setting forth final expenditures, revenues, and fund balances available so that appropriations during that fiscal year will not exceed available financing. The Board of Supervisors of the County of Fresno (the "County Board") approved the County's budget for Fiscal Year 2012-13 on June 19, 2012 (the "Fiscal Year 2012-13 Adopted County Budget").

The County receives a significant amount of its revenues from the State. Accordingly, the County is dependent upon the State budget and payments made or appropriated by the State to the County for various programs. See "State of California Budget and Supplemental Financial Information" herein for a description of the proposed State budget for Fiscal Year 2012-13, the May revision to the proposed State budget for Fiscal Year 2012-13 and the adopted State budget for Fiscal Year 2012-13. No assessment can be made by the County as to the significance of budgetary problems that may affect the State in Fiscal Year Fiscal Year 2012-13, including any measures that may be taken by the State to balance its budget. There can be no assurances that future State budgets or amendments to the 2012-13 State Budget Act (defined herein) will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments, and the County cannot predict the ultimate impact of future State budgets or amendments to the 2012-13 State Budget Act, if any, on the County's financial situation.

Revenues for the County's General Fund (the "General Fund") are derived from such sources as taxes, licenses, permits and franchises, fines, forfeitures and penalties, use of money and property, aid from other governmental agencies, charges for current services and other revenue. General Fund expenditures and encumbrances are classified by the functions of public safety, health and human services, land use and environment, community services, finance and general government and other. Increases in the aggregate appropriations based on actual or anticipated increases in available financing can be made after the annual budget has been adopted upon approval by the County Board.

To ensure that the expenditures do not exceed authorized levels or available financing sources, quarterly reviews are conducted covering actual and projected receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to mitigate the shortfall through the identification of alternative funding sources or freezing appropriations. Similarly, if expenditures are projected to exceed appropriations, steps are taken to freeze expenditures in other accounts within the affected department or to transfer available resources to offset the added expenditure requirement. Counties in the State are not permitted by State law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services. In addition, the County's Auditor-Controller/Treasurer-Tax Collector conducts rolling three-year projections in order to manage budgeted revenues. The County's Auditor-Controller/Treasurer-Tax Collector is responsible for controlling expenditures within budgeted appropriations.

County Budget

General. The following Table 1 sets forth the County's adopted budgets for the General Fund for Fiscal Years 2010-11 through 2012-13. The Fiscal Year 2012-13 Adopted County Budget was prepared and submitted to the County Board of Supervisors by the County Administrative Office (the "CAO"). The approximately $1.8 billion budget funds permanent staffing of 6,686 positions for Fiscal Year 2012-13. Due to the continuing uncertainty of the State's adopted budget for Fiscal Year 2012-13, the CAO will monitor the Fiscal Year 2012-13 Adopted County Budget, with quarterly public reports to the County Board. The first quarterly report is tentatively scheduled to be presented to the County Board on October 23, 2012 and will include the year-end report for Fiscal Year 2011-12.

The following Table 1 sets forth the County's adopted budgets for the General Fund for Fiscal Years 2010-11 through 2012-13.

TABLE 1
COUNTY OF FRESNO
GENERAL FUND ANNUAL BUDGETS
Fiscal Years Ended June 30, 2011 through 2013

	Adopted 2010-11 Budget	**Adopted 2011-12 Budget**	**Adopted 2012-13 Budget**
REQUIREMENTS:			
General Government	$ 68,872,747	$ 72,387,782	$ 65,616,861
Public Protection	329,221,901	333,382,858	348,739,807
Public Ways and Facilities	2,880,254	2,611,173	2,888,400
Health and Sanitation	256,769,935	264,880,833	268,527,225
Public Assistance	583,568,927	575,672,147	550,263,306
Education	749,485	755,043	738,843
Recreation and Cultural	2,636,444	2,389,927	2,553,915
Capital Projects	--	--	380,507
Contingencies & Reserves	1,087	1,250,000	2,020,468
TOTAL REQUIREMENTS	$1,244,700,780	$1,253,329,763	$1,241,729,332
AVAILABLE FUNDS:			
Fund Balance Available	$ 1,398,531	$ 8,205,417	$ 14,056,774
Taxes[(1)]	197,581,566	205,037,614	205,162,357
Licenses, Permits & Franchise	7,863,550	7,703,020	8,179,334
Fines, Forfeits, & Penalties	9,283,532	9,113,535	6,914,023
Use of Money & Property	6,178,803	4,049,829	3,973,543
Aid From Other Govt. Agencies	741,235,838	739,123,991	638,518,182
Charges for Current Services	115,684,214	110,888,234	66,813,797
Other Revenues (Other Financing Sources)	113,511,857	116,974,228	253,023,940
Miscellaneous Revenues	21,811,956	23,368,387	16,445,006
Intrafund Revenue	30,150,933	28,865,508	28,642,376
TOTAL AVAILABLE FUNDS	$1,244,700,780	$1,253,329,763	$1,241,729,332

Source: County of Fresno.

(1) Includes sales and use taxes, *ad valorem* taxes and other taxes.

Litigation Concerning Budgetary Practices. On February 11, 2010, Margaret Mims v. County of Fresno, Fresno County Superior Court Case No. 10CECG00528, was filed by Fresno County Sheriff Margaret Mims (the "Sheriff") alleging that the County Board had unlawfully interfered with the Sheriff's ability to manage the resources that had been allocated to the Fresno County Sheriff's Office (the "Sheriff's Office") during Fiscal Year 2009-10. The Sheriff has alleged that the County Board is only permitted to allocate funds to the Sheriff at the "object level", but that in budgetary actions the County Board has unlawfully infringed upon the Sheriff's alleged province to manage funds at the "subobject level". Object levels include salaries and benefits, services and supplies, fixed assets, and other financing uses. The Sheriff further alleges that, although the County Board may lawfully dictate to the Sheriff the absolute number of employees the Sheriff's Office may have, the County Board may not lawfully dictate to the Sheriff the number of employees the Sheriff's Office may have by position classification (e.g., numbers of Deputy Sheriff's, Correctional Officers, Identification Technicians).

The court issued a tentative statement of decision on August 1, 2012, finding in favor of the County Board on the issues concerning whether the County Board may limit the number of Sheriff's Department employees by position class and whether the County Board may take action below object level through the Sheriff's budget. As of the date hereof, the court has not entered a final judgment on the statement of decision. The County anticipates that the trial judge will not substantially modify his tentative statement of decision and that a judgment will be entered consistent with the tentative statement of decision. The County expects that the Sheriff will have until the middle of October 2012, depending upon the date of entry of judgment, to submit an appeal the decision. The County does not expect the outcome of this matter to affect adversely the County's ability to pay principal of and interest on any of the Series 2012A Bonds when due.

Financial Statements

The following Table 2 sets forth the County's Statement of General Fund Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2007-08 through 2010-11.

TABLE 2
COUNTY OF FRESNO
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years Ended June 30, 2008 through 2011
($ in thousands)

	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
REVENUES				
Taxes	$ 206,087	$ 223,634	$ 196,796	$ 199,432
Licenses and Permits	8,901	8,983	7,148	7,659
Fines, Forfeits, and Penalties	10,218	11,382	10,410	8,986
Use of Money and Property	9,929	7,960	6,853	3,876
Aid from Other Governmental Agencies	673,324	668,813	1,095,728[(1)]	778,307
Charges for Current Services	96,621	117,688	81,751	82,066
Other Revenues	72,868	15,722	20,481	30,397
Total Revenues	$1,077,948	$1,054,182	$1,419,167	$1,110,723
EXPENDITURES:				
General Government	$ 87,131	$ 33,400	$ 36,903	$ 40,359
Public Ways and Facilities	12	1,741	1,816	4,816
Public Protection	321,020	312,496	295,553	293,043
Public Assistance, Health and Sanitation	736,563	721,597	1,082,769[(1)]	768,224
Education	744	728	675	634
Culture and Recreational	3,551	3,403	2,494	2,191
Debt Service[(2)]	2,663	2,842	--	--
Total Expenditures	$1,151,684	$1,076,207	$1,420,210	$1,109,267
Excess (Deficit) of Revenues Over/ (Under) Expenditures	$ (73,736)	$ (22,025)	$ (1,043)	$ 1,456
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	--	--	--	948
Transfers In	$ 183,142	$ 143,686	$ 117,597	$ 120,833
Transfers Out	(136,318)	(108,998)	(87,958)	(94,512)
Total Other Financing Sources (Uses)	$ 46,824	$ 34,688	$ 29,639	$ 27,269
Net Change in Fund Balances	$ (26,912)	$ 12,663	$ 28,596	$ 28,725
Fund Balance – Beginning	$ 214,169	$ 188,864	$ 201,527	$ 230,123
Prior Period Adjustment	$ (1,607)[(3)]	$ --	$ --	$ --
Fund Balance – Ending	$ 188,864	$ 201,527	$ 230,123	$ 258,848

(1) In Fiscal Year 2009-10, the County received funds from the American Recovery and Reinvestment Act of 2009 that the County used for public assistance, health and sanitation purposes.
(2) As of Fiscal Year 2009-10, all debt service payments are accounted for in the Debt Service Fund rather than the General Fund. See Appendix C - "County of Fresno General Purpose Financial Statements for the Fiscal Year ended June 30, 2011" attached hereto.
(3) Reflects a prior period adjustment for Fiscal Year 2006-07 General Fund revenue accruals.

Source: County of Fresno Audited Financial Statements

The following Table 3 sets forth the County's General Fund Balance Sheets for Fiscal Years 2006-07 through 2010-11.

TABLE 3
COUNTY OF FRESNO
GENERAL FUND BALANCE SHEETS
Fiscal Years Ended June 30, 2007 through 2011
($ in thousands)

	2007	2008	2009	2010	2011
ASSETS					
Cash and Investments	$180,669	$179,433	$176,538	$178,376	$224,163
Receivables:					
Taxes	51,607	65,739	54,329	48,194	53,104
Accounts (Net of Allowance for Uncollectible)	47,940	52,122	49,279	94,306	94,952
Interest	2,227	1,703	1,089	769	545
Loans	33,951	34,605	36,989	40,729	42,672
Due from other Funds	21,848	17,671	17,580	15,690	15,490
Due from other Governmental Units	--	3,885	1,036	2,919	2,848
Inventory of Supplies	3,734	3,440	3,288	3,663	2,979
Prepaid Expenditures	--	--	--	--	--
Advances to other Funds	583	713	296	876	1,141
Total Assets	$342,560	$359,311	$340,424	$385,522	$437,894
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued Liabilities	$ 17,826	$ 33,194	$ 27,054	$29,757	$27,247
Warrants Payable	--	--	--	--	--
Accounts Payable	--	--	--	--	--
Salaries and Benefits Payable	19,084	23,085	24,462	25,574	28,264
Loans Payable	--	--	--	--	--
Due to other Governmental Units	12,461	17,197	14,456	5,836	7,151
Due to other Funds	9,080	9,780	9,105	5,753	7,063
Deposits and other Liabilities	--	137	88	88	89
Deferred Revenue	69,940	87,054	63,732	88,391	109,232
Total Liabilities	$128,391	$170,447	$138,897	$155,399	$179,046
Fund Balances:					
Reserved	$ 68,589	$ 51,972	$ 50,284	$ 51,033	$ --
Unreserved	145,580	136,892	151,243	179,090	--
Nonspendable	--	--	--	--	3,200
Restricted	--	--	--	--	83,356
Committed	--	--	--	--	--
Assigned	--	--	--	--	39,138
Unassigned	--	--	--	--	133,154
Total Fund Balances	$214,169	$188,864	$201,527	$230,123	$258,848
Total Liabilities and Fund Balances	$342,560	$359,311	$340,424	$385,522	$437,894

Source: County of Fresno Audited Financial Statements.

The County's fund balances for the Fiscal Year ended June 30, 2011 follows Governmental Accounting Standards Board Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54") which was developed in order for governments to classify amounts consistently regardless of the fund type or column in which they are presented. Pursuant to GASB 54, the fund balances will be designated as one of the following five categories: (i) nonspendable fund balance which includes amounts that are not in a spendable form or are required to be maintained intact, (ii) restricted fund balance which includes amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation; (iii) committed fund balance which includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint; (iv) assigned fund balance which includes amounts a government intends to use for a specific purpose whereby the intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; and (v) unassigned fund balance which includes amounts that are available for any purpose; these amounts are reported only in the general fund.

Major Revenues

The County derives its revenues from a variety of sources including *ad valorem* property taxes, sales and use taxes, licenses, permits and franchises issued by the County, use of County property and money, aid from other governmental agencies, charges for services provided by the County and other miscellaneous sources. The following Table 4 sets forth the revenue sources for the County's General Fund for the Fiscal Year ended June 30, 2011.

TABLE 4
COUNTY OF FRESNO
ALLOCATION OF COUNTY GENERAL FUND REVENUES
Fiscal Year Ended June 30, 2011[(1)]

Taxes	17.96%
Licenses, Permits and Franchises	0.69
Fines, Forfeitures and Penalties	0.81
Use of Property and Money	0.35
Aid from Other Governmental Agencies	70.07
Charges for Current Services	7.39
Other Revenues	2.74
Total[(1)]	100.00%

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

(1) Total may not equal sum of component parts due to rounding.

Intergovernmental Revenues

Intergovernmental Revenues, mostly in the form of State and federal grants and subventions, is the County's largest revenue source. A large amount of this revenue source also comes from the State in the form of payment for services provided by the County for the State, including, among other things, services provided by the County under the State's realignment plan. See "State of California Budget and Supplemental Financial Information - State Budget for Fiscal Year 2012-13" herein. In Fiscal Year 2010-11, the State approved the Public Safety Realignment Act which transferred responsibility for housing and supervision of certain State prison inmates and parolees as of October 1, 2011 from the California Department of Corrections and Rehabilitation to counties, including the County. In connection with the State's transfer of responsibility under the realignment plan to the County, the County's Fiscal Year 2012-13 Adopted County Budget included funding to use additional space in the County jail (the "County Jail") for additional inmates and supervision of parolees. The County does not expect these realigned responsibilities to increase the County's net costs related to public safety because the State has provided funding. The information presented regarding the County, including the information set forth in "County Financial Information," summarizes the County's expected Intergovernmental Revenues for the current year. However, the amount of State aid may vary from year to year. See " – County Budget - General" herein. The County cannot predict the ultimate impact of the State's budget on the County's finances and operations.

Expenditures

The County's major expenditures are public assistance and public protection. See Appendix C – "County of Fresno General Purpose Financial Statements for the Fiscal Year ended June 30, 2011" attached to this Official Statement.

Capital Projects

The County finances capital improvements from a variety of sources including, among other things, State and federal funds and proceeds of debt issuances. The County implemented the Public Facilities Impact Fees Ordinance commencing September 20, 2008. However, the County has not spent any of the fees collected in connection therewith for capital projects. Further, the County Board temporarily suspended the collection of the facilities impact fees from November 2010 to November 2012. In June 2012, the County Board approved a second temporary suspension of the collection of facilities impact fees from November 2012 to November 2015.

Significant capital improvements completed and under construction in Fiscal Years 2011-12 and 2012-13 include the Tranquillity Branch Library, the Fresno County Regional Forensic Facility and various energy conservation projects. The Tranquillity Branch Library opened in July 2011. The Tranquillity Branch Library project was completed for $2.1 million, which amount was below the $2.65 million budget, and included a $1.2 million grant from the California State Library. The Fresno County Regional Forensic Facility, which includes the County morgue and administrative facilities, commenced operations in January 2012. The project budget for the Fresno County Regional Forensic Facility is $15.2 million. However, the County projects that the total costs in connection with the construction of the Fresno County Regional Forensic Facility will be $11.5 million. Construction costs for the Fresno County Regional Forensic Facility will also include funds from the California County Tobacco Securitization Agency's Tobacco Settlement Asset-Backed Bonds, Subordinate Series 2006 revenues. The Fresno County Regional Forensic Facility includes a CT (computed tomography) scanner to perform non-invasive, digital autopsies on routine cases and has been described as one of the most technologically advanced morgues in the United States.

The County is nearing completion on several energy conservation projects which have been funded, in part, by funded by a Energy Efficiency and Conservation Block Grant ("EECBG") from the Department of Energy in connection with the American Recovery and Reinvestment Act of 2009. The energy efficiency upgrades include, among other things, improvements to air conditioning systems such as digital controls, lighting retrofits to more efficient lighting fixtures, replacement of an older and inefficient chiller with a new chiller. The County expects additional projects to use funds from rebates and incentives provided by the Pacific Gas & Electric Co. in connection with the EECBG projects to be underway in 2012. In addition, the County expects to complete construction of all anticipated projects by the end of calendar year 2012. The County estimates that average annual energy savings will be in the range of approximately 10% of the systems it plans to replace.

Ad Valorem Property Taxes

General. The County levies *ad valorem* property taxes on behalf of taxing agencies in the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). In such instances, the property is reassessed and a supplemental tax bill is sent to the new owner based on the new value prorated for the balance of the tax year. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The secured roll includes property assessed by the State Board of Equalization (property owned by public utilities, canals and pipelines within two or more counties), real property owned by an assessee, and personal property owned by an assessee of real property and located on that real property or, at the taxpayer's request, located elsewhere if the assessor determines that the assessee's real property is adequate security for payment of the personal property taxes. The unsecured roll includes all taxable property that is not assessed on the secured roll. Typical unsecured roll assessments are for personal property not located on the assessee's land.

The tax rate is 1% of the full cash value of the taxable property. The assessor must reassess property upon a change in ownership or new construction. The assessor may increase the full cash value by no more than 2% each year to reflect inflation. The assessor may decrease the full cash value (a) to reflect reductions in the consumer price index or comparable local data for the area under taxing jurisdiction, (b) to reflect substantial damage, destruction or (c) other factors causing a decline in value. See "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations – Article XIII D" in the forepart of this Official Statement. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) pro rated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are a group of entities that share the taxes of the particular area. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are payable in two installments which are due on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent taxes after the second installment. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, and redemption penalty of one and one-half percent per month starting July 1 and continuing until the end of redemption. If taxes remain unpaid five years after the property becomes tax-defaulted, the Auditor-Controller/Treasurer-Tax Collector may sell the property at a tax sale. Before the sale, State law requires that the Auditor-Controller/Treasurer-Tax Collector send notices to the affected taxpayer and publish such notices. This process requires approximately 120 days. Generally, the Auditor-Controller/Treasurer-Tax Collector conducts a tax sale each March. The minimum bid for each property is the defaulted taxes, penalties and costs. If the Auditor-Controller/Treasurer-Tax Collector receives no bids at the minimum bid amount, the County Board may authorize the Auditor-Controller/Treasurer-Tax Collector to offer the property for sale at the same or subsequent tax sale for less than defaulted taxes, penalties and costs.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Recorder's Office specifying certain facts in order to obtain a judgment lien on property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

Proposition 8, which was passed in November 1978, amended Proposition 13 to allow assessed values to reflect declines in value. See "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations" in the forepart of this Official Statement. As a result, the County Assessor is required to enroll a property's fair market value, as of January 1, if that value is less than the base year value plus inflationary adjustment. The County Assessor may initiate the Proposition 8 reduction process without a request from a property owner. Property owners are notified at the beginning of the tax year and may file an assessment appeal to challenge the determined value. Although the values of many properties may suffer a significant decline during a recession, not all may qualify for a reduction under Proposition 8. The current fair market value of such property must fall below the base year value plus inflationary adjustment before it will affect the assessed value. If the fair market value of the property increases above its base year value plus inflationary adjustment, the County Assessor will re-enroll the property at the value of its base year value plus inflationary adjustment. As of July 1, 2012, the County Assessor has enrolled approximately 101,375 taxable properties within the County at the reduced fair market value for Fiscal Year 2011-12. The County Assessor estimates that such reductions will reduce the aggregate assessed valuation of taxable properties within the County by approximately $92.7 million.

As of June 30, 2012, the County projected property tax revenues for Fiscal Year 2012-13 to total $576.5 million. Of this amount, the County projected that $75.2 million would be attributable to secured property tax revenues for the County's general fund. The Fiscal Year 2012-13 County Budget assumes a 2% increase in assessed valuation from Fiscal Year 2011-12. However, the aggregate assessed valuation of taxable properties within the County for Fiscal Year 2012-13 of $61.4 billion reflects an increase of approximately $48.5 million, or 0.08%, from Fiscal Year 2011-12. As a result of data reflecting current market conditions, the County Assessor's office estimates that County assessed valuation will increase at a rate of 1% in Fiscal Year 2012-13. The difference between the County Assessor's Office's estimates of assessed valuation growth and the assumed growth set forth in the Fiscal Year 2012-13 Adopted County Budget is approximately $1.5 million.

Supplemental property taxes are assessed when there is an increase in the assessed valuation of property after the property tax bill for that year has been issued. As a result, when property values are increasing and sales activity is high, there will be an increase in supplemental property tax revenues. The County received supplemental property tax revenues of $509,900 in Fiscal Year 2011-12 and budgeted that it will receive supplemental property tax revenues of $800,000 in Fiscal Year 2012-13.

The following Table 5 sets forth certain information regarding County property tax levies and collections, including taxes levied and collected on behalf of all taxing agencies in the County from Fiscal Years 2007-08 through 2011-12. During Fiscal Year ended June 30, 2011, these tax collections are estimated to have been allocated approximately 14% to the County, 13% to cities, 9% to special districts and 64% to school districts within the County.

TABLE 5
COUNTY OF FRESNO
SUMMARY OF TAX LEVIES AND COLLECTIONS[(1)]
Fiscal Years 2007-08 through 2011-12
($ in thousands)

Fiscal Year	Secured Tax Charge	Unsecured Tax Charge	Total Tax Levy	Total Tax Collection through June 30	Outstanding Delinquent Taxes	Ratio of Delinquency to Tax Levy
2007-08	$731,525	$40,052	$771,576	$733,564	$38,012	4.93%
2008-09	722,290	39,986	762,276	731,719	30,557	4.01
2009-10	714,619	39,039	753,658	727,503	26,155	3.47
2010-11	720,195	39,345	759,540	735,393	24,147	3.18
2011-12	714,009	41,432	755,441	731,673	23,768	3.15

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

(1) Unaudited.

The following Table 6 sets forth the County's Assessed Valuation for Fiscal Years 2008-09 through 2012-13.

TABLE 6
COUNTY OF FRESNO
ASSESSED VALUATION
Fiscal Years 2008-09 through 2012-13
($ in thousands)

Fiscal Year	Secured	Unsecured	Total Assessed Value
2008-09	$60,909,391	$2,555,829	$63,465,220
2009-10	58,391,376	3,209,653	61,601,029
2010-11	57,958,443	3,171,629	61,130,072
2011-12	58,378,659	3,040,714	61,419,373
2012-13(1)	58,343,171	3,124,704	61,467,876

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

(1) Estimated.

ERAF Shift. As part of the Fiscal Year 1992-93 State budget resolution, the State required counties, cities and special districts to shift *ad valorem* property tax revenues to school districts by contributing to the State's Education Revenue Augmentation Fund ("ERAF") in lieu of direct payments by the State to school districts from the State's General Fund. This transfer is commonly referred to as the "ERAF" shift. The manner in which the shift of *ad valorem* property taxes has occurred has varied year by year. During Fiscal Year ended June 30, 2011, after the shift of tax revenues from local agencies to the State's ERAF, these tax collections are estimated to have been allocated approximately 14% to the County, 13% to cities, 9% to special districts and 64% to school districts within the County.

Property Tax Administration Fee Litigation. On October 9, 2008, City of Clovis et al. v. County of Fresno, Fresno County Superior Court Case No. 08CECG03535, was filed by five incorporated cities (and later amended to add two additional cities) located in Fresno County (collectively, the "Cities in Fresno County") alleging that each of them had been overcharged by the County for property tax administration fees in violation of California Revenue and Taxation Code section 97.75. Such fees are authorized generally by California Revenue and Taxation Code section 95.3 and charged, among other things, in connection with the calculation and allocation of certain substitution property tax transfers under California Revenue and Taxation Code sections 97.68 and 97.70. The complaint included a petition for a writ of mandate as well as declaratory and injunctive relief, and requested damages from the County for tax year 2006-07 of approximately $590,000, plus unspecified damages for tax year 2007-08. On September 25, 2009, the Cities in Fresno County filed a noticed motion/petition for a writ of mandate, effectively turning the original suit into a writ proceeding. The hearing on the writ was held on November 20, 2009, and an order granting the petition was issued on February 5, 2010. The County filed a notice of appeal with the Court of Appeal, Fifth Appellate District, on April 5, 2010.

The foregoing case is very similar to a lawsuit filed by 47 cities in Los Angeles County ("collectively, the "Cities in Los Angeles County") against the County of Los Angeles, which lawsuit was heard before a referee on May 8, 2009, and decided in favor of the County of Los Angeles. The Cities in Los Angeles County appealed, and in a decision dated July 7, 2010, the California Court of Appeal, Second District, reversed the trial court's decision, finding that the County of Los Angeles' method of calculating the property tax administrative fees was improper. Subsequently, the County of Los Angeles petitioned the Supreme Court of California for review of the Court of Appeal's decision. On October 20, 2010, the Supreme Court of California granted the County of Los Angeles' petition for review. On November 10, 2010, counsel for the County of Fresno and the Cities in Fresno County stipulated to a stay of their case before the Court of Appeal, Fifth Appellate District, pending the disposition of a case pending before Supreme Court of California with substantially similar legal issues. The case before the Supreme Court of California remains pending. The County expects that oral hearings will begin in September 2012.

On October 26, 2010, City of Huron v. County of Fresno, et al, Fresno County Superior Court Case No. 10CECG03757, was filed by the City of Huron. This case is very similar to City of Clovis, et al. v. County of Fresno, described above. On January 19, 2011, counsel for the County of Fresno and the City of Huron stipulated to a stay of the case before the Fresno County Superior Court, pending the disposition of the case pending before Supreme Court of California.

Largest Taxpayers. The following Table 7 is a list of the ten largest property taxpayers in the County by total taxes assessed for Fiscal Year ending June 30, 2012.

TABLE 7
COUNTY OF FRESNO
TEN LARGEST PROPERTY TAXPAYERS BY TOTAL TAXES ASSESSED
Fiscal Year 2011-12
($ in thousands)

Taxpayer	Type of Business	Amount of Tax
Pacific Gas & Electric Co.	Utility	$21,542
Chevron U.S.A. Inc.	Petroleum	8,192
Southern California Edison Co.	Utility	5,672
Panoche Energy Center, LLC	Utility	3,284
AERA Energy LLC	Petroleum	2,635
Pacific Bell Telephone Co.	Telecommunications	2,228
Gap Inc.	Specialty Retailer	1,853
Macerich Fresno Limited Partnership	Real Estate	1,607
E&J Gallo Winery	Winery	1,333
Atlantic Path 15, LLC	Agriculture	1,299
Fresno Farming LLC	Agriculture	1,070
Federal National Mortgage Association	Real Estate Mortgage Company	1,060

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

Employees and Labor Relations

The following Table 8 sets forth a summary of County employment for Fiscal Years 2008-09 through 2012-13. Some employees are hired by the County under various federally funded programs.

TABLE 8
COUNTY OF FRESNO
EMPLOYMENT LEVELS
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Permanent(1)
2008-09	7,494
2009-10	7,141
2010-11	6,668
2011-12	6,554
2012-13	6,686

Source: County of Fresno.

(1) Figures represent number of authorized positions as of the adoption of the County's budget for each fiscal year.

Approximately 84% of the County's employees are represented by employee organizations covering 24 bargaining units. The represented County employees consist of 22% office and clerical workers, 10% technical service workers, 3% maintenance workers and 65% paraprofessionals, professionals, protective service employees and skilled craft workers. Presently, 17 bargaining units have contracts that expire between March 31, 2013 and December 7, 2014. The MOUs with the six bargaining units that comprise Service Employees International Union, Local 521 ("SEIU – Local 521"), and the Fresno County Prosecutors Association (the "Prosecutors Association") have expired. The County has historically enjoyed positive relations with its bargaining units. However, in January 2012, County employee members of SEIU – Local 521 engaged in a three day work stoppage concerning the negotiation of a new MOU by and between the County and SEIU – Local 521. Due to the County's determination that negotiations with the California Nurses Association (the "Nurses Association"), SEIU – Local 521 and the Prosecutors Association were at impasse, the County unilaterally imposed wages, terms and conditions as set forth in its last, best and final offers to these groups. The Nurses Association, SEIU – Local 521 and the Prosecutors Association have filed administrative actions with the Public Employment Relations Board (the "PERB") in connection with the County's unilateral implementation of wages, terms and conditions. See " – Employment Litigation and Administrative Hearings" herein. Further, the Nurses Association, SEIU – Local 521 and the Prosecutors Association have invoked their right to negotiate new MOUs to supplant the imposed wages, terms and conditions. On August 28, 2012, the County Board ratified a new MOU with the Nurses Association; this MOU covers the period of September 3, 2012 to December 7, 2014. Despite the ratification of the successor MOU with the Nurses Association, the Nurses Associations' claims which have been submitted to the PERB remain pending. See " – Employment Litigation and Administrative Hearings" herein. The County's negotiations with the SEIU – Local 521 and the Prosecutors Association are ongoing.

The following Table 9 sets forth the expiration dates for the respective the memorandum of understanding ("MOU") of each of the County's certified employee organizations with the County.

TABLE 9
COUNTY OF FRESNO
BARGAINING UNITS

Bargaining Unit	MOU Expiration Date
Fresno County Sheriff's Captain Association: Sheriff's Captains	Dec. 8, 2013
Association of Engineering Technicians: Engineering Technicians	June 9, 2013
Association of County Engineers: Engineers	June 9, 2013
Fresno Sheriff's Correctional Sergeants Association: Correctional Sergeants	Sept. 29, 2013
Fresno Deputy Sheriffs Association: Law Enforcement Personnel	Dec. 8, 2013
Sheriff's Department: Sheriff's & Correctional Lieutenants	Dec. 8, 2013
Fresno Sheriff's Sergeants Association: Supervisory Peace Officers	Dec. 8, 2013
Probation Services Managers Association of Fresno County: Probation Services Managers	June 9. 2013
Fresno County Deputy Probation Officers Association: Deputy Probation Officers	June 9, 2013
Fresno County District Attorney Investigators Association: District Attorney Investigators	June 9, 2013
Professional Association of Employees: Professional Employees	June 9, 2013
Stationary Engineers - Local 39 International Union of Operating Engineers	
Crafts and Trades	June 9, 2013
Operating Engineers	June 9, 2013
Computer Employees	June 9, 2013
California Nurses Association Nurses	Dec. 7, 2014[1]
Service Employees International Union - Local 521	
Sheriff's & Probation Personnel	Oct. 30, 2011
Mental Health Professionals & Social Workers	Oct. 30, 2011
Eligibility Workers	Oct. 30, 2011
Clerical, Paramedical, Building & Service Employees	Oct. 30, 2011
Professional, Para-Professional & Technical Employees	Oct. 30, 2011
Supervisory Employees	Oct. 30, 2011
Fresno County Prosecutors Association: Deputy District Attorneys	Feb. 19, 2012
Probation Division Directors	June 9, 2013
Public Defenders Association	March 31, 2013

Source: County of Fresno.

(1) The Nurses Associations' claims against the County which have been submitted to the PERB remain pending.

Medical and Mental Health Services

Under the terms of a 30-year agreement, effective since October 7, 1996, as amended (the "Medical Services Agreement"), by and between the County and Fresno Community Hospital ("FCH"), FCH serves as the provider of medical services for the County for purposes of discharging the County's statutory indigent and inmate care obligations. Under the Medical Services Agreement, the County is obligated to pay FCH an annual base payment, paid directly to FCH each month in arrears; in return therefor, FCH is obligated to provide medical services to the County's indigent and inmate populations. Pursuant to a first amendment to the Medical Services Agreement, effective as of July 1, 1998, the County's original annual base fixed payment of $17.5 million was reduced to $14.0 million (adjusted annually for inflation). In exchange for the payment reduction, and with regard to its operations, County agreed that FCH would retain all governmental revenues accruing to FCH as well as all non-governmental contributions or revenues.

In Fiscal Year 2010-11 the County of Fresno Public Health Department initiated planning for a Low Income Health Program (the "LIHP") in response to former Governor Schwarzenegger's announcement of the federal approval of California's "Bridge to Reform: A Section 1115 Medicaid Waiver Proposal". The program invited counties in the State to take advantage of available federal funding as a match to local health and mental health care dollars funding services for certain low income persons. After careful consideration, the

County Board voted to withdraw the County's LIHP application from consideration by the State Department of Health Care Services because of, among other things, the financial risk and availability of funding sources.

Defined Benefit Retirement Program

General. The following information concerning the Fresno County Employees' Retirement Association (the "Association") has been excerpted from publicly available sources, which the County believes to be accurate, or otherwise obtained from the Association. The Association's assets will not secure or be available to pay principal of or interest on the Series 2012A Bonds or on any obligations of the County or any other member agency. Further, the assets of the County's pension plan are not available for such payments. The Association issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described defined benefit retirement program (the "System"). The reports are available on the Association's website: http://www2.fcera.org/. Information on such site is not incorporated herein by reference.

The Association was established on January 1, 1945 under provisions of the County Employees Retirement Law of 1937 (the "Retirement Law") to provide for defined benefit pension benefits, including retirement, disability, death and survivor benefits, for substantially all full-time employees of the County and other member agencies. As used in this section, " - Defined Benefit Retirement Program," the term "employees" refers to the portion of employees of the County and other member agencies who are members of the Association.

The County is one of four member agencies of the Association. In addition to the County, the participating member agencies are the Fresno-Madera Area Agency on Aging, the Clovis Veterans Memorial District, the Fresno Mosquito and Vector Control, and the Superior Courts of California - Fresno (collectively, the "Member Agencies"). The Association is considered a component unit of the County in the County's audited financial statements. However, the Association is a legally separate entity with a separate governing board (the "Board of Retirement"). The Association is governed by a nine member Board of Retirement. The Board of Retirement consist of the Auditor-Controller/Treasurer-Tax Collector, two active members of the Association elected by the General members, one active member of the Association elected by the Safety members, one retired member of the Association elected by the retired members, four members appointed by the County Board who are qualified electors of the County but are not connected with County government in any capacity except that one member may be a County Supervisor. In addition, one alternate member of the Board of Retirement is an elected retired member and one alternate member is an elected active safety member. Pursuant to the State Constitution, the members of the Board of Retirement are to discharge their duties with respect to the System solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the System. The Board of Retirement's duty to its participants and their beneficiaries shall take precedence over any other duty, including any duty to the County.

Information regarding the Association was obtained from the Association's Actuarial Experience Study Analysis of Plan Experience for the period from July 1, 2006 through June 30, 2009, adopted by the Board of Retirement on June 2, 2010 (the "2009 Analysis of Plan Experience"), the Association's Actuarial Valuation as of June 30, 2011, adopted by the Board of Retirement on December 7, 2011 (the "2011 Actuarial Valuation"), and the Association's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011, dated as of December 14, 2011 (the "2011 Association CAFR"), which reports are the most recent analysis of plan experience, actuarial valuation and comprehensive annual financial report, respectively, available to the County as of the date of this Official Statement. Such reports have not been updated since their respective dates. The Board of Retirement requested that EFI Actuaries review the 2010 Actuarial Valuation and the 2009 Analysis of Plan Experience in order to independently review the actuarial reports performed by the Association's current actuary, The Segal Company (the "Association's Actuarial Consultant"), and to describe any shortcomings or errors present therein and to make any necessary recommendations. EFI Actuaries submitted its "Independent Review of the Actuarial Valuation as of June 30, 2010 and Experience

Study (July 1, 2006 - June 30, 2009)" dated January 11, 2011 (the "2010 Independent Review") to the Board of Retirement on January 19, 2011.

The information contained in this section" - Defined Benefit Retirement Program," relies on information produced by the pension plans described herein, independent accountants, and the Association's Actuarial Consultant. The Association's Actuarial Consultant has prepared the Association's annual actuarial reports for the years ended June 30, 2006 through June 30, 2011 and will prepare the Association's actuarial report for the year ended June 30, 2012. The actuarial assessments contain "forward looking" information that reflects the judgment of the Association and the pension plans and their independent accountants and actuaries. The actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plans.

Membership. The projected total compensation for employees covered by the Association for the year ended June 30, 2011, the date of the most recent actuarial valuation on behalf of the Association, was approximately $398,975,424. The following Table 10 sets forth the Association's membership on June 30, 2011.

TABLE 10
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Membership as of June 30, 2011

Retirees and beneficiaries receiving benefits:	5,769
Terminated employees entitled to benefits but not yet receiving them:	1,451
Current employees:	
Vested	
General Tiers 1, 2, and 3	4,581
Safety Tier 1	732
Nonvested	
General Tiers 1, 2 and 3	1,374
Safety Tiers 1 and Tier 2	37
Total Current Employees	6,724
Total Membership	13,944

Source: Fresno County Employees' Retirement Association – Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011.

Significant Accounting Policies.

Basis of Accounting. The Association's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period in which they are incurred. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds of prior contributions are recognized when due and payable under the provisions of the retirement plan.

Deposits and Investments. Cash and cash equivalents with the Association's fiscal agent include deposits in the County Treasurer's commingled cash and investment pool and investments held by the custodian bank. Investments with the custodian bank are comprised of foreign currencies, cash held in a short-term investment fund and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value. The County Treasurer's commingled cash and investment pool operates in accordance with appropriate State laws and regulations and is governed by an investment policy formally adopted by the County. See "County Investment Pool" herein.

The pension plan's investments are reported at fair value. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by the real estate investment funds, futures investment managers, and alternative investment managers. All investment purchases and sales are recorded on the trade date.

Capital Assets. Capital assets are valued at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of three years for computer equipment, five years for office equipment, ten years for furniture, fifteen years for Wyatt Software (pensions system) and thirty years for buildings. Depreciation expense is reported as part of administrative expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Determination of Pension Benefits. Pension benefits are funded in advance by employer and employee contributions and are based upon several factors, including the retirement benefit tier, a participating employee's age at the time of retirement, years of service, average pensionable or retirement compensation for the highest paid one-year or three one-year periods of employment (depending on retirement benefit tier), the retirement allowance option selected by the participant, and whether the participant was employed as a safety member or as a general member of the System. Disability and death benefits are additionally based upon whether the disability was service connected and whether the death occurred before or after retirement. Employees' contributions, including interest, are 100% vested at all times. Employees do not have a vested interest in the employer's contributions unless they actually retire from the employing agency, and may only receive the employer's contributions in the form of retirement benefits, which are payable as and when due. Employees vest in the System after five years of service, and may leave their contributions on deposit and defer their retirement if they terminate their employment without retiring. Employees with less than five years of service may leave their contributions on deposit if they terminate their employment without retiring, but do not vest in the system unless they earn sufficient time to meet the five-year minimum, or establish reciprocity with other qualifying retirement systems.

The County Board has adopted four mandatory retirement tiers for qualifying County employees. The majority of qualifying County employees are in a retirement tier known as the Tier I retirement benefit ("Tier I"). Tier I offers a retirement benefit that is approximately 2.5% of final compensation per year of service credit at age 55 for general members and 2.5% of final compensation per year of service credit at age 50 for safety members. Tier I retirement benefits provide a maximum benefit of 3.273% of final compensation per year of service credit at age 60 for general members and a maximum benefit of 3.275% of final compensation per year of service credit at age 55 for safety members. The Tier II retirement benefit ("Tier II") offers a lower contribution rate for active members and a lower retirement benefit established at 2% at age 55 for general members with a maximum benefit of 2.42% of final compensation per year of service credit at age 63 for general members and a retirement benefit of 2.29% of final compensation per year of service at age 50 with a maximum benefit of 3.0% of final compensation per year of service credit at age 55 for safety members. The third retirement tier ("Tier III") offers benefit ranges from 2% at 55 to 3.1336% at age 65 for general members. Tier III benefits are calculated using a three-year average final compensation. See Note 10 to the County's audited financial statements attached hereto as Appendix C - "County of Fresno General Purpose Financial Statements for the Fiscal Year ended June 30, 2011". In March 2012, the County Board adopted a fourth retirement tier ("Tier IV") for new employees of the County who are hired, and elective officers of the County who commence services in their elective offices, respectively, on or after June 11, 2012, and in either case, who thereafter would be new members of the System. Tier IV offers a retirement benefit that is approximately 1.67% of final compensation per year of service credit at age 57.5, 2.00% of final compensation per year of service credit at age 61.25 and 2.43% of final compensation per year of service credit at age 65 for general members. Tier IV offers a retirement benefit that is approximately 2.00% of final compensation per year of service credit at age 50 and 2.62% of final compensation per year of service credit at age 55 for safety members. In addition, solely with respect to any employees of the County who are hired, and any elective officers of the County who commence services in their elective offices, respectively, on or after June 11, 2012, and, in either case, who are enrolled after such date as general members or safety members in Tier IV or any later adopted retirement tier, as adopted by resolution of the County Board, such employees (including such elective officers) and their beneficiaries will not receive cost of living adjustments to retirement allowances, optional death allowances, or annual death allowances payable to or on account of any member, and such employees' (including such elective officers') compensation will be based upon the "three year final average compensation," as provided by the 1937 Act. In connection with the adoption of this new retirement tier, the County expects to reduce its retirement expenditures relating to such new employees. See " – Cost Reduction Study" herein.

California Public Employees' Pension Reform Act of 2012. In September 2012, the Governor approved Assembly Bill 340, the California Public Employees' Pension Reform Act of 2012 ("AB 340"). Among other things, AB 340 establishes new retirement formulas for employees first hired on or after January 1, 2013 ("AB 340 Employees") and prohibits public employers from offering defined benefit pension plans to AB 340 Employees that exceed the benefits provided thereunder. In addition, AB 340 amends existing laws to redefine final compensation for purposes of pension benefits for AB 340 Employees. Further, AB 340 permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to AB 340 Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to AB 340 requirements unless, among other things, its retirement system's chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under AB 340. The CAO has requested that the Retirement Administrator direct the Actuarial Consultant to prepare an actuarial evaluation to compare Tier IV to the benefit provisions authorized by AB 340. The County and the Association are reviewing AB 340. The impact of AB 340 upon the County and the Association are currently unknown.

Cost Reduction Studies. In December 2010, the County commissioned actuarial consultants, Cheiron, Inc. ("Cheiron") to provide the Special Cost Reduction Study for 2010 (the "2010 Cost Reduction Study") to analyze the implications of certain alternative benefit structures for future employees of the County. The 2010 Cost Reduction Study relied on information from Association staff and the Association's Actuarial Consultant. The 2010 Cost Reduction Study analyzed the Association's Actuarial Consultant's valuation information as of June 30, 2009 and June 30, 2010 and determined that, aside from a limited exception, the Association's Actuarial Consultant's results for General and Safety members were generally within a reasonable variance of Cheiron's results.

The 2010 Cost Reduction Study noted that the cost impact of a new tier would be a relatively slow and gradual decrease in the aggregate normal cost rate of the System. The gradual decrease would primarily be attributable to members covered by a higher tier benefit structure retiring and new members covered under a lower benefit tier replacing such members. Further, contributions to pay the current unfunded liability of the System would not be affected by the new tier and would be added to the normal cost contributions for all employees. The 2010 Cost Reduction Study states that the benefit structure alternatives will impact the level of contribution, but, if adopted, they would not impact the long term funded ratio of the System. Nevertheless, the 2010 Cost Reduction Study projects that the System will achieve full funding by the end of its amortization period if the required contributions are made and the then-current actuarial assumptions, including an assumed 7.75% investment return, are realized. In May 2011, Cheiron presented to the County Board the "Updated Special Cost Reduction Study: Actuarial Impact Statement Pursuant to Government Code Section 7507" (the "2011 Cost Reduction Study"). The 2011 Cost Reduction Study provided additional alternative benefit structures for consideration by the County Board and updated information contained in the 2010 Cost Reduction Study based upon the actuarial valuation data from the Association as of June 30, 2010. The 2011 Cost Reduction Study reports that, absent corrective action, the County's required contribution would increase to 43% of payroll costs for the year beginning July 1, 2011 and would increase to a peak of 56% of payroll costs for the year beginning July 1, 2020.

In February 2012, the County Board accepted a January 2012 "Updated Special Cost Reduction Study: Actuarial Impact Statement Pursuant to Government Code Section 7507" (the "2012 Cost Reduction Study" and together with the 2010 Cost Reduction Study and the 2011 Cost Reduction Study, the "Cost Reduction Studies") from Cheiron. The 2012 Cost Reduction Study analyzed the implications of the prospective benefit structure for new employees of the County and analyzed historical data in order to substantiate the results of the 2011 Actuarial Valuation. For active General members, the 2012 Cost Study determined that the present value of future benefits was approximately $2.04 billion as compared to $2.04 billion in the 2011 Actuarial Valuation, the actuarial liability was $1.40 billion as compared to $1.40 billion in the 2011 Actuarial Valuation, the employer normal cost rate was 18.19% as compared to 18.04% in the 2011 Actuarial Valuation, the member normal cost rate was 8.47% as compared to 8.42% in the 2011 Actuarial Valuation and the estimated covered payroll was $337.5 million as compared to $337.6 million in the 2011 Actuarial Valuation.

For Safety members, the 2012 Cost Reduction Study determined that the present value of future benefits was approximately $537.255 million as compared to $540.545 million in the 2011 Actuarial Valuation, the actuarial liability was $354.8 million as compared to $352.0 million in the 2011 Actuarial Valuation, the employer normal cost rate was 25.43% as compared to 27.14% in the 2011 Actuarial Valuation, the member normal cost rate was 11.05% as compared to 10.92% in the 2011 Actuarial Valuation and the estimated covered payroll was $61.3 million as compared to $61.3 million in the 2011 Actuarial Valuation. The 2012 Cost Study noted that the results presented therein were within a reasonable variance of the results set forth in the 2011 Actuarial Valuation with the exception of the employer normal cost for Safety members. The employer normal cost for Safety members was 6.3% less than the amount set forth in the 2011 Actuarial Valuation. Nevertheless, the 2012 Cost Study indicates that such variance does not raise a concern regarding overall results. In consideration of the Cost Reduction Studies and other information from the Association, the County Board adopted Tier IV for employees of the County who are hired, and any elective officers of the County who commence services in their elective offices, respectively, on or after June 11, 2012, and, in either case, who thereafter will be enrolled as general members or safety members in Tier IV; and solely with respect to such employees and elective officers of the County, who thereafter will be enrolled as general members or safety members in Tier IV or any later adopted retirement tier, as adopted by resolution of the County Board, such employees (including such elective officers) and their beneficiaries will not receive cost of living adjustments to retirement allowances, optional death allowances, or annual death allowances payable to or on account of any member. See "Defined Benefit Retirement Program - Determination of Pension Benefits - Significant Accounting Policies" herein.

Retirement Contributions. The Association's Actuarial Consultant determines the unfunded actuarial accrued liability ("UAAL") for the entire System. The actuarial accrued liability is a standard disclosure measure of the present value of pension benefits to a certain date (i.e., the "as of date" of the valuation), based on actuarial assumptions. See " - Actuarial Assumptions" herein. The actuarial accrued liability is a measure of the value of the projected benefits and is intended to help the Association's Actuarial Consultant determine the annual required contributions from employers and employees, and to help the Association, the County, other member agencies, employees and others assess the Association's funding status, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems.

The Retirement Law requires the Association to apply the County's contributions to its obligations under the System first, to satisfy the County's current fiscal year liabilities, as determined by the Association's Actuarial Consultant, because of members' service during such fiscal year, which is commonly known as the "normal cost" and service disability pensions, second, to pay for County contributions for death benefits, and third, to satisfy the UAAL.

The employers currently fund, at a minimum, the annual required contributions recommended by the Association's Actuarial Consultant (the "ARC"). The aggregate ARC of all of the employers participating in the System beginning the Fiscal Year ending June 30, 2013 is expected to increase as a result of deferred losses to be recognized and the recommended actuarial assumptions contained in the 2009 Analysis of Plan

Experience. See Table 17 - "Fresno County Employees' Retirement Association Schedule of Funding Progress" herein for the Association's schedule of funding progress, which schedule sets forth the measure of System Assets against the System's liabilities resulting in part from the contributions made by the County and other member agencies to the Association.

The following Table 11 sets forth the aggregate ARC of all of the employers participating in the System and the percentage contributed for the Fiscal Years ended June 30, 2007 through 2011.

TABLE 11
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Schedule of Annual Required Employer Contributions and Percentage Contributed(1)
Fiscal Years Ended June 30, 2007 through 2011
($ in thousands)

Fiscal Year Ended June 30	Annual Required Contributions(2)	Percentage Contributed
2007	$ 69,997	100%
2008	97,305	100
2009	113,959	100
2010	126,138	100
2011	130,290	100

Source: Fresno County Employees' Retirement Association – Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011.

(1) Exclusive of amounts paid by the County in connection with the County's previously outstanding Series 1998 POBs and outstanding Series 2004A POBs and 2004B POBs (each as defined herein). See "Indebtedness - Long Term Debt and Lease Obligations" herein.
(2) ARC reflects the aggregate ARC amount of all employers participating in the System. See Table 12 - County of Fresno Annual Pension Cost and Prepaid Pension Asset" herein for the County's ARC.

The amounts set forth above are determined by the Association's Actuarial Consultant using the "entry age normal cost" method. This method currently produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of all existing UAAL over a 30-year period, 22 years of which remain on the current amortization period as of June 30, 2010 and (c) amortization of any new UAAL identified after June 30, 2003 over separate 15-year declining periods. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the Association's Actuarial Consultant. Historically, a portion of the contributions were financed through undistributed earnings, if any, or increases in employer and employee contribution rates. In addition to their basic contributions established by statute, general members of Tier I, Tier II and Tier III and safety members of Tier I and Tier II pay one-half of the total normal cost necessary to fund their cost-of-living benefits. See - Significant Accounting Policies - Determination of Pension Benefits" herein.

The aggregate employer contributions for the Member Agencies for the Fiscal Year ended June 30, 2011 totaled approximately $130,289,781. The employer contribution rates for the Fiscal Year ended June 30, 2011 were based on the recommended employer contribution amount in the June 30, 2009 actuarial report. The total recommended employer contributions for June 30, 2009 were $143,280,000 and were composed of $74,663,00 for normal costs and $68,617,000 for unfunded actuarial accrued liability. The recommended employer contribution amount for the Fiscal Year ended June 30, 2011 was $183,917,000, as determined by the 2011 Actuarial Valuation. The rates from 2011 Actuarial Valuation will be implemented for Fiscal Year 2012-2013.

As of June 30, 2011, the actuarial value of the plan assets was approximately $3,151,541,457, the valuation value of the plan assets (*i.e.*, the actuarial value excluding any non-valuation reserves) was approximately \$3,114,482,906, and the net market value of plan assets was approximately \$3,167,176,709. The rate of return based on the actuarial value of plan assets was 4.78%, the rate of return based on the valuation value of the plan assets was 4.84%, and the rate of return based on the market value of plan assets was 23.34% for Fiscal Year 2010-11. See Table 16 - "Fresno County Employees' Retirement Association - Investment Results Based on Market Value" herein.

As of June 30, 2011, the actuarial accrued liability was approximately \$4,237,961,000 and the unfunded actuarial accrued liability (calculated using the valuation value of plan assets) was approximately \$1,123,478,000. Based on the 2011 Actuarial Valuation, the employers' funded ratio (i.e., the ratio of valuation value of assets of the Association over the actuarial accrued liability) is 73.5% as of June 30, 2011.

The actuarial value of the System Assets and the actuarial accrued liability reflect amounts received by the Association from the County in connection with the prior issuance of the County's pension obligation bonds. The County has applied a portion of the proceeds of each issuance of pension obligation bonds to reduce its UAAL. In March 1998, the County made a payment of \$183.6 million to the Association from the proceeds of the issuance of its Taxable Pension Obligation Bonds, Series 1998 (the "Series 1998 POBs") to reduce the County's UAAL as calculated at that time. In March 2002, the County issued its \$117.0 million principal amount Taxable Pension Obligation Bonds, Refunding Series 2002 (the "Series 2002 Refunding POBs") to reduce the County's UAAL as calculated at that time and to refund a portion of the Series 1998 POBs. In March 2004, the County made another payment of approximately \$398.0 million to the Association from the proceeds of the County's Taxable Pension Obligation Bonds, Series 2004A (the "Series 2004A POBs") and Taxable Pension Obligation Bonds, Series 2004B (the "Series 2004B POBs") to reduce the County's UAAL as recalculated, due primarily to the effect of the enhanced pension benefits created for Tier 1 in 2001. As of March 1, 2011, the Series 1998 POBs are no longer outstanding and the Series 2002 Refunding POBs are outstanding in the principal amount of approximately \$108.4 million, the Series 2004A POBs are outstanding in the principal amount of \$311.8 million and the Series 2004B POBs are outstanding in the principal amount of \$75.0 million.

Annual Pension Cost of the County. Statement No. 27 of the Governmental Standards Accounting Board ("GASB 27") establishes standards for the measurement, recognition, and display of pension expenditures and expenses and related liabilities, assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The System is a defined benefit and cost-sharing, multiple employer plan. Pursuant to GASB 27, employers that participate in cost-sharing multiple employer defined benefit pension plans are required to recognize pension expenditures and expenses equal to the employer's contractually required contributions and a liability for unpaid contributions. GASB 27 recommends that recognition be on the modified accrual or accrual basis depending on the fund type or type entity. The following Table 12 sets forth the County's annual pension cost and prepaid pension asset, the amounts of which relate to the County's issuance of pension obligation bonds, computed in accordance with GASB 27, for the Fiscal Year ended June 30, 2011.

TABLE 12
COUNTY OF FRESNO
Annual Pension Cost and Prepaid Pension Asset[(1)]
Fiscal Years Ended June 30, 2011
($ in thousands)

Annual Required Contribution	$130,290
Interest on beginning pension asset	(46,256)
Adjustment to annual required contribution	50,923
Annual pension cost	$134,957
Contributions made	$130,290
Increase (decrease) in pension asset	$ (4,667)
Net pension asset, beginning of year	$589,699
Net pension asset, end of year	$585,032

Source: County of Fresno – Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011.

The following Table 13 sets forth the County's annual pension cost and the percentage contributed for Fiscal Years 2007-08 through 2010-11.

TABLE 13
COUNTY OF FRESNO
Annual Pension Cost and Percentage Contributed[(1)]
Fiscal Years 2007-08 through 2010-11
($ in thousands)

Fiscal Year	Annual Pension Cost[(1)]	Percentage of Annual Pension Cost Contributed	Net Pension Asset
2007-08	$ 95,985	101.38%	$592,588
2008-09	114,410	99.61	592,137
2009-10	128,576	98.10	589,699
2010-11	134,957	96.54	585,032

Source: County of Fresno – Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011.

(1) The County has made its annual required contribution for each of the past three years. The difference between the ARC and the Annual Pension Cost is due to the amortization of the net pension asset.

The following Table 14 sets forth the County's annual required contribution, annual pension costs, and actual contributions related thereto for Fiscal Years 2006-07 through 2010-11 and County's actual contributions as a percentage of total governmental funds expenditures for such fiscal years.

TABLE 14
COUNTY OF FRESNO
Employer Contribution Status
Fiscal Years 2006-07 through 2010-11
($ in thousands)

Fiscal Year	ARC	Annual Pension Cost	Actual County Contribution	Amount Overfunded (Underfunded) of Annual Pension Cost	Actual County Contribution as Percentage of Total Governmental Funds Expenditures[1]
2006-07	$ 69,997	N/A	$ 69,997	N/A	5.87%
2007-08	97,305	$ 95,985	97,305	$1,320	7.35
2008-09	113,959	114,410	113,959	(451)	9.26
2009-10	126,138	128,576	126,138	(2,438)	8.17
2010-11	130,290	134,957	130,290	(4,667)	10.41

Source: County of Fresno – Auditor-Controller / Treasurer-Tax Collector.

(1) The County's Total Governmental Funds reflects funds on deposit for general government functions in the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Fund and certain other non-major governmental funds. See "General Fund Financial Statements" herein and Appendix C – "County of Fresno General Purpose Financial Statements for the Fiscal Year Ended June 30, 2011" attached to this Official Statement.

Pension Related Payments

The following Table 15 sets forth the historical and estimated Employer Contributions and POB debt service for Fiscal Years 2011-12 through 2020-21. The estimates and related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 15
COUNTY OF FRESNO
PENSION RELATED PAYMENTS[(1)]
Fiscal Years 2011-12 through 2020-21

Fiscal Year	Employer Contributions	County Pension Obligation Bonds Debt Service[(3)]	Total
2011-12	$141,750,820.00	$35,388,103.00	$177,138,923.00
2012-13	144,585,836.40	36,773,375.00	181,359,211.40
2013-14	147,477,553.13	38,258,379.00	185,735,932.13
2014-15	150,427,104.19	39,559,273.00	189,986,377.19
2015-16	153,435,646.27	41,034,946.00	194,470,592.27
2016-17	156,504,359.20	42,570,902.00	199,075,261.20
2017-18	159,634,446.38	44,173,206.00	203,807,652.38
2018-19	162,827,135.31	45,834,171.00	208,661,306.31
2019-20	166,083,678.02	31,594,490.00	197,678,168.02
2020-21	169,405,351.58	33,390,000.00	202,795,351.58

Source: County of Fresno Auditor-Controller/Treasurer-Tax Collector.

(1) Assumes 2% growth in employer contributions each year and employer contributions do not include the Courts employees

Unfunded Actuarial Accrued Liability and Unrecognized Gains/Losses as of June 30, 2011. In its 2011 Actuarial Valuation, the Association's Actuarial Consultant determined that the employers' funded ratio (i.e., the ratio of valuation value of assets of the Association over the actuarial accrued liability) increased to 73.5% as of June 30, 2011 from 72.9% as of June 30, 2010. The UAAL increased to $1.12 billion as of June 30, 2011 from $1.11 billion as of June 30, 2010.

The Association's Actuarial Consultant estimated that the amount of unrecognized gain from investments in the Association's investment portfolio as of June 30, 2011 totaled approximately $15.6 million, which amount will be recognized by the Association on a smoothed, five-year basis and the actuarial value of assets will be further adjusted, if necessary, to be within 30% of the market value of assets, in accordance with current policies of the Board of Retirement. A portion of such unrecognized gains are expected to be recognized in each of the next five annual valuations and will offset any investment losses that may occur after June 30, 2011. If the Association earns an assumed net rate of investment return of 7.75% per year on a market value basis and all other actuarial assumptions as set forth in the 2009 Analysis of Plan Experience are met, it will result in investment losses on the actuarial value of assets and contribution requirements would increase in each of the next few years.

In addition, in its 2011 Actuarial Valuation, the Association's Actuarial Consultant stated that the aggregate employer rate has increased to 46.10% of payroll as of June 30, 2011 from 43.79% of payroll as of June 30, 2010. The Actuarial Consultant states that the increases relate to, among other things lower than expected return on investments (based on valuation value of assets), a one year delay in the implementation of employer and employee contribution rates calculated in the June 30, 2010 valuation, lesser than expected salary increases, increases in UAAL rate due to lesser than expected increases in total payroll, lesser than expected COLA increases, higher than expected liability for new retirees, reclassification of certain retirees to beneficiaries by the Association, and other actuarial gains and losses . The Association's investment policy and annualized rates of return are summarized in "– Investment Policy" herein.

The Association's Actuarial Consultant has recommended and employers will implement employer contribution rates, based on June 30, 2011 projected compensation, of 43.03% for general member Tier I employees, 41.15% for general member Tier II employees and 39.71% for general member Tier III employees, 65.06% for safety member Tier I employees and 63.86% for safety member Tier II employees for Fiscal Year 2012-13. The County is unable to forecast with any certainty future UAAL and the net cost impact to the County. The Association's Actuarial Consultant prepared a report for the Association dated as of April 10, 2012 entitled "Special Study to Provide Adopted Retirement Benefits for County General Tier 4 and County Safety Tier 4 Employees" (the "Tier IV Special Study"). The Tier IV Special Study used the actuarial assumptions contained the 2011 Actuarial Valuation with the exception of the service retirement assumptions. In May 2012, based on recommendations from the Tier IV Special Study, the County Board approved and will implement the employer contribution rate for the County of 31.87% for general member Tier IV employees and 51.42% for safety member Tier IV employees

Actuarial Assumptions. The Association's Actuarial Consultant considers various factors in determining the assumptions to be used in calculating funding ratios. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability and other factors. This experience study is done once every three years. The most recent experience study was the 2009 Analysis of Plan Experience completed for the June 30, 2010 actuarial study. In addition, the Association's Actuarial Consultant considers certain economic factors assumptions in determining the assumptions to be used in calculating funding ratios. The actuarial assumptions have a significant impact on the determination of the ratio of assets of the Association that are set aside to pay plan benefits by the Association. Significant actuarial assumptions of the Association's Actuarial Consultant for the 2011 Actuarial Valuation include: (a) a rate of return on the investment of present and future assets of 7.75% per year (net of administration and investment expenses); (b) an inflation assumption of 3.50%; (c) projected across-the-board salary increases of 0.50% plus merit and longevity increases based on age that vary between 1.5% and 7.0% for safety members and 1.0% and 7.0% for general members and (d) projected cost of living adjustments of 3.00% of retirement income. The Board of Retirement may modify such assumptions based in part on analyses of experience and recommended changes submitted by the Association's Actuarial Consultant.

Notwithstanding the actuarial assumptions included in the 2010 Actuarial Valuation or the 2009 Analysis of Plan Experience, the Board of Retirement may approve the use of different assumptions to calculate the Annual Pension Cost and ARC based upon any action approved by member agencies. In the event a member agency approves an action such as, among other things, salary or staff reductions, such member agency's Annual Pension Cost and ARC may differ from the amounts projected in the 2011 Actuarial Valuation based on the aforementioned assumptions.

The following Table 16 sets forth certain economic actuarial assumptions for the Fiscal Years ended June 30, 2007 through June 30, 2011.

TABLE 16
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Actuarial Assumptions
Fiscal Years ended June 30, 2007 through June 30, 2011

Actuarial Assumption	2007	2008	2009	2010	2011
Interest	8.00%	8.00%	8.00%	7.75%	7.75%
Inflation	3.75	3.75	3.75	3.50	3.50
Employee Account Interest Credit Rate	8.00	8.00	3.00	3.00	3.00

Source: Fresno County Employees' Retirement Association – Comprehensive Annual Financial Report for each respective Fiscal Year ended June 30 for Fiscal Years ended June 30, 2007 through June 30, 2009; 2010 Actuarial Valuation for Fiscal Year ended June 30, 2010; 2011 Actuarial Valuation for Fiscal Year ended June 30, 2011.

The 2010 Independent Review, which was commissioned by the Board of Retirement to review the assumptions and actuarial reports provided by the Association's Actuarial Consultant and to make any necessary recommendations, stated that the non-economic actuarial assumptions proposed in the 2009 Analysis of Plan Experience were generally reasonable and in compliance with acceptable standards of actuarial practice. However, the 2010 Independent Review noted several areas of concern with respect to mortality rates including, among other things, rates of post-retirement mortality were calculated based on an overstated number of recorded deaths and the use of mortality assumptions based solely on the number of deaths tends to understate the liabilities. In addition, the 2010 Independent Review stated that the economic assumptions proposed in the 2009 Analysis of Plan Experience represented a reasonable set of assumptions. However, the 2010 Independent Review noted that the Association's Actuarial Consultant's expected rate of return of 7.75% was a moderately optimistic outlook and reasonable, but recommended that the Board of Retirement assume a rate of return of 7.5%. The 2010 Independent Review stated that the Association's projected growth in the cost-of-living adjustment should be 2.7% rather than 3% and questioned the assumed increase in salaries given current economic and employment conditions.

Historical Funding Progress. The following Table 17 sets forth the schedule of funding progress as of the ten most recent actuarial valuation dates. Table 17 includes amounts contributed to the Retirement Association from proceeds of the Series 1998 POBs, the Series 2004A POBs and the Series 2004B POBs. See " - Retirement Contributions" above. Funding progress is measured by a comparison of System Assets which have been set aside by the Association to pay plan benefits with plan liabilities. See Table 11 - "Schedule of Annual Required Employer Contributions and Percentage Contributed" herein, which sets forth the aggregate ARC to be contributed by the County and other member agencies, as determined by the Association's Actuarial Consultant, and the percentage actually contributed. The Association expects its UAAL to increase based upon the assumptions set forth in the 2009 Analysis of Plan Experience.

TABLE 17
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Schedule of Funding Progress
($ in thousands)

Actuarial Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded (Overfunded) AAL (2) – (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded (Overfunded) AAL Percentage of Covered Payroll (3)/(5)
6/30/02[1]	$1,674,900	$1,932,300	$ 257,400	86.7%	$326,975	78.7%
6/30/03[1]	1,922,149	1,953,490	30,841	98.9	341,981	9.0
6/30/04[1]	1,977,097	2,017,971	40,874	98.0	337,614	12.1
6/30/05[1]	2,044,389	2,233,594	189,205	91.5	351,049	53.9
6/30/06[2]	2,398,454	2,803,990	405,536	85.5	376,270	107.8
6/30/07[2]	2,610,269[3]	3,149,570	539,301	82.9	404,277	133.4
6/30/08[2]	2,812,423	3,429,990	617,567	82.0	424,083	145.6
6/30/09[2]	2,864,956	3,644,743	779,787	78.6	422,519	184.6
6/30/10[2]	2,983,044	4,092,464	1,109,420	72.9	408,861	271.3
6/30/11[2]	3,114,483	4,237,961	1,123,478	73.5	398,976	281.6

Source: Fresno County Employees' Retirement Association – Actuarial Valuation and Review as of June 30, 2006 for actuarial valuation dates June 30, 2000 through June 30, 2004; Fresno County Employees' Retirement Association – Actuarial Valuation and Review as of June 30, 2010 for actuarial valuation dates June 30, 2005 through June 30, 2010.

(1) Actuarial valuation conducted by Public Pension Professionals, the Association's prior actuarial consultant.
(2) Actuarial valuation conducted by The Segal Company, the Association's Actuarial Consultant.
(3) After decreasing assets by $3,169 for a net overpayment of member contributions discounted to June 30, 2007.

The following Table 18 sets forth the value of the Association's assets as of the ten most recent actuarial valuation dates based on the valuation value, actuarial value and market value.

TABLE 18
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Asset Value Comparison
($ in thousands)

Valuation Date	Valuation Value of Assets	Actuarial Value of Assets	Market Value of Assets
6/30/02(1)	$1,674,900	$1,824,038	$1,730,506
6/30/03(1)	1,922,149	1,806,494	2,140,712
6/30/04(1)	1,977,097	2,265,388	2,319,743
6/30/05(1)	2,044,389	2,337,311	2,337,706
6/30/06(2)	2,398,454	2,462,841	2,529,664
6/30/07(2)(3)	2,610,269	2,692,591	2,938,652
6/30/08(2)	2,812,423	2,942,900	2,726,605
6/30/09(2)	2,864,956	2,586,687	2,586,687
6/30/10(2)	2,983,044	3,028,181	2,586,687
6/30/11(2)	3,114,483	3,151,541	3,167,177

Source: Fresno County Employees' Retirement Association – Actuarial Valuation and Review as of June 30, 2006 for actuarial valuation dates June 30, 2000 through June 30, 2004; Fresno County Employees' Retirement Association – Actuarial Valuation and Review as of June 30, 2010 for actuarial valuation dates June 30, 2005 through June 30, 2010.

(1) Actuarial valuation conducted by Public Pension Professionals, the Association's prior actuarial consultant.
(2) Actuarial valuation conducted by The Segal Company, the Association's Actuarial Consultant.
(3) After decreasing assets by $3,169 for a net overpayment of member contributions discounted to June 30, 2007.

The actuarial value of assets has been based on a five-year smoothed market method since the Fiscal Year ended June 30, 1996. This method spreads the difference between the market investment return achieved by the investment portfolio of the Association and the assumed investment return over a five-year period. The Board of Retirement adopted a modified version of the smoothed market method, setting a 20 percent corridor around the market value of assets effective with the actuarial valuation as of June 30, 2003.

After public discussions to determine methods available to mitigate the effects of the financial downturn on retirement contributions, the Board of Retirement widened the corridor around the market value of assets to 30 percent (i.e., 70 percent to 130 percent of the market value of assets) effective with the valuation prepared as of June 30, 2009. The Association's Actuarial Consultant has noted, among other things, that a change in the asset smoothing method or any other funding methodology change will not have a long-term impact on the costs of the retirement plan except for changes relating to the time value of money. Due to smoothing, among other things, the County's contributions to the System to address currently unrecognized losses may be delayed, which may increase the County's total costs in the long-term.

The 2010 Independent Review stated that the 30 percent difference between the actuarial and market value could constitute a reasonable range. However, the 2010 Independent Review noted that the Board of Retirement should consider the comparison of the assets of the System with the inactive-only liabilities due to its belief that the System is in a severely stressed position. The 2010 Independent Review noted that the System had approximately $2.5 billion assets (market value), available to fund retirement benefits of the System, which amount is slightly greater than the $2.4 billion liability associated with the inactive members of the System. Accordingly, the 2010 Independent Review suggested the Board of Retirement consider policy decisions pursuant to which the Association accumulates sufficient assets during a member's active service to provide a benefit at retirement.

Transfers of Investment Earnings by the Association. The Board of Retirement annually directs the crediting of the Association's investment earnings to reserves, some of which are part of valuation assets, and some of which are not part of valuation assets. Valuation assets are those used to fund vested benefits and are those assets used in calculating the funded ratio and the UAAL. The Association has stated that the Board of Retirement directs that investments earnings, when available, be transferred to the following Association reserves, effectively, in the following order. First, such earnings are used to credit interest on member accounts at a rate equal to one-half of the cost-of-living increase percentage provided to Association members that have retired on or before April 1 of that calendar year and are eligible for such cost-of-living increases. See " - Significant Accounting Policies - Determination of Pension Benefits" herein. Second, the difference between the amount credited to member accounts and the assumed interest rates is credited to the employer reserves. Third, interest is credited at the assumed valuation interest rate on the valuation reserves. Fourth, a contra tracking account is established (the "Contra Tracking Account") to track any shortfalls of available earnings relative to earnings required to credit full interest to valuation reserves and, in subsequent years to use available earnings remaining after crediting such interest to restore any prior shortfalls as tracked in the Contra Tracking Account. Fifth, if sufficient earnings remain, earnings are transferred to a contingency reserve (the "Contingency Reserve") to maintain a 1% statutory contingency reserve. The Board of Retirement may at its discretion maintain an additional Board Contingency Reserve of up to 2% based on current financial circumstances such as deferred market value actuarial losses not yet recognized in the actuarial value of assets. Sixth, any available earnings remaining after crediting full interest to valuation reserves will be used to restore the contra tracking account to zero. Seventh, if sufficient earnings remain, interest is credited to the nonvaluation reserves at the assumed interest rate and the funding of a Board Contingency Reserve of 2%. Eighth, the balance in the Undistributed Earnings Reserve will be allocated in the following order of priority: (i) funding of current and additional benefits under the Ventura II Settlement Agreement (defined herein) (See " - Supplemental COLA Benefits" herein) and (ii) funding discretionary uses of any remaining Undistributed Earnings (a) transfers to a reserve or designation to pay additional ancillary benefit such as Supplemental COLA and Additional Retiree Health Insurance as permitted by law; (b) transfers to a valuation reserve for reduction of UAAL for statutory benefits; (c) transfers to a reserve or designation for other uses as permitted by law; and (d) retention in the Undistributed Earnings Reserve. Recent years have not resulted in any additional investment earnings for distribution. Decisions of the Board of Retirement regarding allocation of excess earnings may cause the UAAL to increase or decrease and thus impact the amount of County and member agency contributions in future years.

The Retirement Law (1937 Act) permits the Association to use any excess earnings to pay certain supplemental benefits to retirees or credit them to the Association's valuation assets. The Board of Retirement has historically transferred excess earnings primarily to two reserves: (1) a retiree health reserve (the "Health Reserve") from which the Association pays a cash benefit to all retirees and beneficiaries which may be used for any purpose; and (2) a reserve established for a supplemental targeted adjustment for a cost of living adjustment ("Supplemental COLA"). Both the Health Reserve and the Supplemental COLA reserve are outside of valuation assets and are not included as assets when calculating the Association's UAAL. When earnings are held outside of valuation assets, those amounts are not available to decrease an UAAL because they are not available to pay vested benefits. For a discussion of the Supplemental COLA benefits paid by the Association see "– Supplemental COLA Benefits" herein. For a discussion of health benefits paid by the Association and certain other related issues, see "– Post-Retirement Health Care Benefits" herein.

Reserve Levels. As of June 30, 2011, there was approximately $4.1 million on deposit in the Supplemental COLA reserve and approximately $33 million was on deposit in the Health Reserve. Since these benefits are paid from undistributed earnings, any benefits that the Board of Retirement intends to continue should be funded in accordance with the Association's Interest Credited and Undistributed Earnings Policy. See "– Supplemental COLA Benefits" and "– Post-Retirement Health Care Benefits" herein.

Investment Policy. The Board of Retirement has exclusive control of the investment of the employees' retirement fund. Pursuant to the State Constitution, the members of the Board of Retirement are required to diversify the investments of the System so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so. Except as otherwise expressly restricted by the State Constitution and by law, the Board of Retirement may, in its discretion, invest, or delegate the authority to invest the assets of the fund through the purchase, holding, or sale of any form or type of investment financial instrument, or financial transaction when prudent in the informed opinion of the Board of Retirement. The Association has established a series of procedures and guidelines. The procedures, grouped together as the "Investment Policy and Guidelines & Monitoring Performance" (the "Association Investment Policy"), which was most recently amended June 1, 2011, guide the Association's investment program. The Board of Retirement has directed the investment consultant to report on the investment returns and market conditions on a quarterly basis and make recommendations on investment policy revisions for the Board of Retirement's consideration as necessary.

The following Table 19 sets forth the asset allocations for the Association's investment portfolio for the Fiscal Year ended June 30, 2011.

TABLE 19
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Asset Allocation

Association's Portfolio	Target Allocations	Actual Allocations
Cash[(1)]	0%	1.1%
Fixed Income[(2)]	22	23.2
Large Capital Equity	24	25.1
Small Capital Equity	5	5.7
International Equity	24	23.4
Real Assets[(3)]	14	12.2
Private Equity	7	6.0
Hedge Funds	4	3.3

Source: Fresno County Employees' Retirement Association – Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011.

(1) Overall target allocations for Cash and Cash Equivalent is 0% and is not broken down by type of investment.
(2) Includes mortgages, U.S. Government and Agencies.
(3) Includes real estate and alternative investments.

The Association's assets are exclusively managed by external professional investment management firms. The Board of Retirement monitors the performance of the managers with the assistance of an external investment consultant. The following Table 20 sets forth the annualized rate of return on investments in the portfolio for the Fiscal Years ended June 30, 2002 through June 30, 2011 based upon the valuation value, actuarial value and market value of the investments.

TABLE 20
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Results
Fiscal Year ended June 30, 2002 through June 30, 2011

Fiscal Year Ended June 30	Annualized Rates of Return (Valuation Value)	Annualized Rates of Return (Actuarial Value)	Annualized Rates of Return (Market Value)
2002[1]	N/A	--%	--%
2003[1]	N/A	1.00	1.70
2004[1]	N/A	5.30	14.00
2005[2]	4.79	4.80	10.97
2006[2]	6.91	6.92	9.78
2007[2]	9.95	10.61	17.46
2008[2]	8.17	10.14	(6.51)
2009[2]	1.93	0.24	(16.73)
2010[2]	4.31	3.44	14.98
2011[2]	4.84	4.78	22.34

Source: Fresno County Employees' Retirement Association – Actuarial Valuation and Review as of June 30, 2002 for actuarial valuation dates June 30, 2002; Fresno County Employees' Retirement Association – Actuarial Valuation and Review as of June 30, 2003 for actuarial valuation dates June 30, 2003; Fresno County Employees' Retirement Association – Actuarial Valuation and Review as of June 30, 2004 for actuarial valuation dates June 30, 2004; Fresno County Employees' Retirement Association – Actuarial Valuation and Review as of June 30, 2011 for actuarial valuation dates June 30, 2005 through June 30, 2011.

(1) Actuarial valuation conducted by Public Pension Professionals, the Association's prior actuarial consultant.
(2) Actuarial valuation conducted by The Segal Company, the Association's Actuarial Consultant.

Supplemental COLA Benefits. The Association is limited to providing cost-of-living increases to a maximum of 3% per year for eligible members based on the Annual Consumer Price Index for the Western Region. The Supplemental COLA benefit provides retirees with additional cost-of-living adjustments. The Supplemental COLA was adopted by the Board of Retirement on October 3, 1980 to provide additional benefits to retirees and beneficiaries whose purchasing power had fallen by 25% under Section 31874.3(a) of the Retirement Law. Any cost-of-living inflation in excess of 3% experienced by retirees in any one year is accrued and used to increase the cost-of-living to 3% in any future year in which inflation is less than 3%. When the accrued excess inflation for cost-of-living adjustments for future years exceeds 25%, the retiree becomes eligible for the Supplemental COLA which is funded with undistributed earnings. Currently, only those retirees who retired prior to April 2, 1981 are eligible for Supplemental COLA.

The Retirement Law does not mandate that the Association provide any Supplemental COLA benefits. In addition, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain Supplemental COLA benefits. Therefore, the Association's payment of Supplemental COLA benefits is a nonvested benefit which can be cancelled or reduced at any time and for any reason by the Association. The Board of Retirement has provided this benefit to all eligible recipients using available undistributed (excess) earnings, if any. There can be no assurance that undistributed earnings will be available to provide a Supplemental COLA benefit in the future or that a Supplemental COLA benefit will be funded from other resources if undistributed earnings are not available for this purpose. On

May 18, 2005, the Board of Retirement approved a transfer of $5 million from the Health (non-vested) benefit reserve to the Supplemental COLA reserve and to fund the Supplemental COLA benefit at the current level for those members receiving this benefit as of June 30, 2006. An additional $5.4 million was transferred to the supplemental COLA reserve from the Health (non-vested) benefit reserve as a result of action by the Board of Retirement on October 26, 2005. At the same meeting, the Board of Retirement approved maintaining the non-vested Health Benefit at its current levels until the funds are exhausted and to fund the Supplemental COLA benefit through the lives of the existing recipients and beneficiaries. The actuary has estimated that the reserve for the Supplemental COLA program should be sufficient to last the remaining lifetime of the current recipients and the reserve for the non-vested Health Benefit should be sufficient to last into the Fiscal Year 2015-16.

The Board of Retirement had exclusive rights to determine how undistributed earnings were used prior to the adoption of the Ventura II Settlement Agreement in December 2000. However, under the Ventura II Settlement Agreement, the Board of Retirement has taken the position that additional costs associated with the benefits provided under the settlement are to be funded first from undistributed earnings to the extent any are available. Accordingly, the Association contends that Supplemental COLA may not be funded prior to the funding of any current or additional benefits created by the Ventura II Settlement Agreement. See "-Transfers of Investment Earnings by the Association" herein. There were no undistributed earnings available as of June 30, 2011.

As of June 30, 2011, approximately $33 million was on deposit in the Health (non-vested) Reserve and $27.6 million in the Health Benefit Reserve (Ventura Settlement), which is the portion provided under the Ventura II Settlement Agreement. The actuarial value of assets and the actuarial accrued liability for the Health (non-vested) Reserve is not included in the annual valuation. However, the actuarial value of assets and the actuarial accrued liability for the Health Benefit Reserve (Ventura II Settlement) are included in the annual valuation and in the Employer's Settlement Contribution rate of the actuarial valuation.

Pursuant to the Ventura II Settlement Agreement, all retirees and beneficiaries that were parties to the agreement would receive an increase in monthly paid health insurance benefits of $3.00 per full year of service. Although FCERA has paid the additional $3.00 per year of service, it has imposed a cap of $90.00, which amount related to the maximum of 30 years of service. Upon further consideration by the Retirement Board and its outside counsel, the Retirement Board determined that that the cap of $90.00 was not imposed by the Ventura II Settlement Agreement. The Retirement Administrator reported to the Retirement Board that the Association has determined that there are 641 current retirees who are entitled to the benefit with related cost of approximately $588,000 for withheld benefits prior to the Retirement Board's decision and $75,000 for on-going monthly costs.

Request for Internal Revenue Service Determination on the Continued Tax-Qualified Status of Plan and Submission to the Voluntary Correction Program. In January 2011, the Association, in consultation with its outside counsel, requested a determination from the Internal Revenue Service (the "IRS") on the continued tax-qualified status of the System under Revenue Procedure 2007-44. To that end, the Association requested a compliance statement from the IRS under the Voluntary Correction Program ("VCP") pursuant to Revenue Procedure 2008-50, and the IRS's waiver of an excise tax under Section 4974 for not having previously made certain required minimum distributions from the System to certain members or their beneficiaries. The Association submitted the VCP application to the IRS because the Association reported that the System experienced an "operational failure" (as defined under Section 5.01(2)(b) of Revenue Procedure 2008-50) and several "plan document" (as defined under Section 5.01(2)(a) of Revenue Procedure 2008-50) failures.

In its VCP submission, the Association reported to the IRS that required minimum distributions from the System pursuant to Code Section 401(a)(9) were not distributed from the System for between one and 23 members or their beneficiaries between 1999 and 2010. The Association noted for the IRS that the CERL was amended in 2009 to comply with Code Section 401(a)(9), but that the Association's administration was not updated to include those members who were over the age of 70.5 and not receiving updated minimum distributions. The Association stated in its VCP submission that the Association updated its administration to include these individuals and expects to consider the proposed 2010 Internal Revenue Code Compliance policy (the "Compliance Policy") to address this issue. The Association has stated that the objective of the Compliance Policy is to amend the Association's plan, which is comprised of the Retirement Law, the California Constitution, other provisions of State law, and the regulations, policies and procedures adopted by the Retirement Board, to comply with the applicable sections of the Internal Revenue Code necessary to retain the tax-qualified status of the System.

The Association expects to distribute the required minimum distributions plus an interest payment representing the loss of use of such amounts. However, in order for the Association to maintain the tax-qualified status of the System, the IRS may request additional corrective action by the Association. Neither the County nor the Association can predict when the IRS will provide any guidance or direction with request to the Association's VCP or the impact of such guidance or direction.

Post-Retirement Healthcare Benefits. The County does not provide any post-employment benefits to its employees or retirees. Accordingly, the County does not expect to have any normal costs or UAAL associated with such benefits, nor would retirees benefit from any "implicit subsidy" derived from obtaining post-retirement healthcare coverage at an active employee rate. Therefore, Statement No. 45 of the Governmental Standards Accounting Board, which covers accounting and financial reporting by employers of post-employment benefits other than pensions adopted on June 21, 2004 (as modified, the "GASB 45") does not apply to the County. The GASB 45 requires substantially different financial accounting of any post-employment benefits that are provided separately from a pension plan, such as post-employment healthcare. The core requirement of GASB 45 is that at least biennially an actuarial analysis must be prepared with respect to projected benefits ("Plan Liabilities"); against this would be measured the actuarially determined value of the related assets (the "System Assets"). The method of financial reporting for post-employment benefit costs would be similar to financial reporting for pension plan normal costs and UAAL.

Litigation

Employment Litigation and Administrative Hearings. On August 22, 2007, Juan Espinoza, et al. v. County of Fresno, U.S. District Court Eastern District of California Case No. 1:07-CV-O1145-OWW-SMS, was filed by a group of deputy sheriffs alleging they had been wrongfully denied compensation by the County for time spent putting on and taking off their uniforms and safety gear; cleaning and maintaining their uniforms, safety gear, vehicles and firearms; and traveling to and from work in department patrol vehicles. The complaint seeks twice the amount of overtime not paid to the deputies, and attorneys' fees. The original claim for damages was in excess of $1 million; the most current settlement offer made by the plaintiffs to the County was approximately $416,000. Trial was scheduled for August 2009, but further action in the case was stayed by the trial court pending the results of an appeal in another case ("Bamonte") then before the 9th Circuit Court of Appeals. Bamonte was subsequently decided and the stay in the *Espinoza* case was lifted. The County's motion for summary adjudication of issues was granted by the court, and the only remaining claim relates to time spent maintaining duty weapons while off duty. Plaintiffs have indicated they intend to pursue this much smaller claim. This lawsuit is one of at least 12 similar lawsuits filed by law enforcement officers against counties and cities in the State. The County does not believe it has any liability in this matter. The County does not expect the outcome of this case to affect adversely the County's ability to pay principal and interest on any of its obligations when due.

On May 26, 2009, Dominguez (formerly, Mikesha Martinez), et al. v. Arnold Schwarzenegger, et al., U.S. District Court Northern District of California Case No. CV 09-02306 CW, was filed by a group of in-home personal-care service recipients, together with a group of organizations affiliated with SEIU. The suit names as defendants several senior officials of the State of California, as well as both the County and the County's In-Home Supportive Services (IHSS) Public Authority. The central allegation of the suit is that subdivision (6) of section 12306.1(d) of the California Welfare and Institution Code, which subdivision was enacted in February, 2009, by the California Legislature during its Third Extraordinary Legislative Session, violates the federal Medicaid Act, the federal Rehabilitation Act and the federal Americans with Disabilities Act. As the complaint relates to the County, the suit alleges that the County's use of a contingency clause in its collective bargaining agreement with IHSS workers would, by reducing wages to those workers in reliance on the enactment of subdivision (6) of section 12306.1(d) of the California Welfare and Institution Code, violate the federal Rehabilitation Act and the federal Americans with Disabilities Act. The plaintiffs are seeking declaratory and injunctive relief. Currently, the District Court has issued an injunction prohibiting the State from approving any reduction in provider wages without first completing an analysis under 42 U.S.C. §1396a(a)(30)(A). The State is in the process of conducting such an analysis, at least with regard to the County. Further, the United States Supreme Court granted certiorari on the question of whether section 42 U.S.C. §1396a(a)(30)(A) provides a private right of action in in-home personal-care service recipients. In a decision issued in February 22, 2012, the reviewing court remanded the matter to the 9th Circuit Court of Appeals without delivering a final decision on the issues before it. As a result of the existing injunction, the County's costs for providing in-home personal-care services has increased by $435,000 per month over budget, beginning July 1, 2009, however, the County has been able to meet this expense through a combination of reductions in general relief, state budget actions resulting in savings and unexpected revenue. The County believes the complaint is without merit. The County does not expect the outcome of this matter to affect adversely the County's ability to pay principal of and interest on any of the Series 2012A Bonds when due.

In December 2011, California Nurses Association/National Nurses United v. County of Fresno, PERB Matter No.: SA-CE-769-M, was filed by the Nurses Association. In December 2011, Service Employees International Union, Local 521, v. Fresno County Board, et al., PERB Matter No.: SA-CE-768-M, was filed by SEIU – Local 521. In January, 2012, Fresno County Prosecutors Association v. County of Fresno, PERB Matter No.: SA-CE-776-M, was filed by the Prosecutors Association. Each of these bargaining units is currently operating under the terms of MOUs that have expired and the unilaterally imposed terms of the County's last, best and final offer. See "FINANCIAL AND ECONOMIC INFORMATION - Employees and Labor Relations" herein. The County determined that negotiations with each of these bargaining units was at impasse, and the County unilaterally imposed wages, hours, terms and conditions based on its last, best and final offers. In response to these terms and conditions, the California Nurses Association, SEIU – Local 521 and Fresno County Prosecutor's Association filed separate claims alleging unfair labor practices by the County. If the Nurses Association prevails, the County may be required to award back-pay to Nurses Association members in the aggregate amount of approximately $42,600 per pay period beginning October 31, 2011 until September 3, 2012. If SEIU – Local 521 prevails, the County may be required to award back-pay to SEIU – Local 521 members in the aggregate amount of approximately $1.2 million per pay period beginning December 12, 2011 until either a new MOU is approved or a PERB decision is issued overturning the unilateral implementation. If the Prosecutors Association prevails, the County may be required to award back-pay to Prosecutors Association members in the aggregate amount of approximately $59,200 per pay period beginning February 20, 2002 until either a new MOU is approved or a PERB decision is issued overturning the unilateral implementation. The County believes that it acted properly in unilaterally implementing the last, best and final offer with each bargaining unit. The County is currently in negotiations with the California Nurses Association, SEIU – Local 521 and the Prosecutor's Association for successor MOUs.

In May 2012, SEIU filed with PERB Service Employees International Union, Local 521 v. County of Fresno, PERB Matter No.: SA-CE-793-M, alleging the County engaged in an unfair labor practice (the "Unfair Labor Practice Charge"). SEIU contends that it and the County were parties to an MOU which expired on October 30, 2011. In December 2011, the County Board authorized the County to unilaterally impose its last, best and final offer on all employees represented by SEIU including correctional officer employees (the "Correctional Officers") who are members of Unit 2. SEIU alleges that the Sheriff violated her duty to remain neutral with regard to SEIU's representation of Correctional Officers in the County. The Unfair Labor Practice Charge further alleges that the Sheriff communicated with Correctional Officers to suggest that the Correctional Officers would not be subject to certain of the provisions set forth in the County's last, best and final officer if they left SEIU. In March 2012, the Fresno Sheriff's Correctional Officers Association filed a petition with the County to modify Unit 2 to create a new and separate bargaining unit consisting of Correctional Officers. If this petition is successful, the next step would be to determine who, if anyone, will become the exclusive representative of these employees: SEIU; the Fresno Sheriff's Correctional Officers Association; or no representative. Accordingly, SEIU alleges that the Sheriff, as the agent of the County, interfered with the rights of SEIU as the recognized bargaining representative of the Correctional Officers. The County does not believe that any monetary relief is sought in connection with the Unfair Labor Practice Charge. Nevertheless, the County cannot predict the response of PERB to the Unfair Labor Practice Charge or the extent to which any ruling will change existing County procedures and policies.

Litigation regarding the County Jail. In December 2011, *Quentin Hall, et al. v. Margaret Mims, et al.*, United States District Court Eastern District of California Case No. 1:11-cv-02047-LJO-BAM (the "County Jail Complaint") was filed by seven current or former inmates at the County Jail, who seek to be class representatives for a class action lawsuit concerning various conditions at the County Jail. The plaintiffs allege that the Sheriff and the County, among others, violated the Eighth Amendment and Fourteenth Amendment of the United States Constitution, Americans with Disabilities Act and Section 504 of the Rehabilitation Act based on alleged system-wide deficiencies in the delivery of medical care, mental health care, and dental care at the County Jail. The plaintiffs also allege that County Jail's correctional staffing and inmate housing arrangements, violate their constitutional right to be protected from violence. The County cannot predict whether the reviewing court will certify a class with respect to the County Jail Complaint or whether any of the parties listed in the County Jail Complaint will prevail on the merits of their case, and in either case, how any final court decision with respect to the County Jail Complaint would affect the financial status of the County, as the nature of any court's remedy and the responses of the County are unknown.

Insurance

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss (the "Risk Management Fund"). The fund is also used to account for the unemployment benefits program and for employee medical coverage provided through contracts with various health maintenance organizations. The Risk Management Fund provides a combination of self-insurance and insurance purchased by the County to protect the County from losses due to general liability, medical malpractice, workers' compensation, and property damage. The Risk Management Fund also provides insurance for medical, disability and life insurance benefits to employees.

On October 6, 2009, the County Board approved the execution of a Joint Powers Agreement with the County of Tulare to create the San Joaquin Valley Insurance Authority ("SJVIA"). The SJVIA serves as a purchasing coalition for the purpose of jointly purchasing health insurance. The County expects this arrangement will result in significant cost reductions with respect to administrative and fixed costs. The SVJVIA is governed by a seven-member Board of Directors that consists of four members appointed by the County Board and three members appointed by County of Tulare. The County's Auditor-Controller/Treasurer-Tax Collector acts as Auditor-Treasurer of the SJVIA. The City of Tulare, California joined the SJVIA effective July 1, 2012. Additional local agencies may join the SJVIA upon approval by its Board of Directors.

Self-insured general liability coverage is provided up to a maximum of $750,000 per claim. Coverage above $750,000, up to a maximum amount of $15,000,000, is provided through a risk pool agreement with the California State Association of Counties Excess Insurance Authority (the "CSAC-EIA"). The risk pool is reinsured through commercial companies from $5,000,001 to $15,000,000 per claim.

All-risk property coverage of County property is provided by an all-risk policy. The policy has a primary limit of up to a maximum of $600,000,000, which is subject to a $25,000 deductible per claim. There are several sub-limits in the coverage program, several of which are described hereinafter. Boiler and

Machinery coverage is included in the property coverage program with a maximum insured amount of $100,000,000 subject to a deductible of $5,000 per claim. There is Sabotage and Terrorism coverage that insures property for up to $150,000,000 subject to a $500,000 deductible per claim. There is Service Interruption coverage up to $2,000,000. All deductibles cited are self-insured amounts.

The County is self-insured for its medical malpractice exposure arising from providing medical services through its public and mental health services and the medical care rendered in its correctional institutions. Prior to October 7, 1996, the County operated an acute hospital. The medical staff and resident physicians were covered by the University of California at San Francisco. The non-physician staff was covered by the County's self-insurance plan. After that date, the operation of the hospital was contracted to a local private non-profit hospital. The medical malpractice exposure arising from County operation of the hospital will diminish over time. The County currently employs approximately 31 physicians and psychiatrists who provide medical services for the County's correctional facilities, mental health and public health programs. These physicians are covered by the County's self-insured medical malpractice program.

A self-insured workers' compensation coverage is provided up to a maximum of $500,000 per claim. Coverage above $500,000 is provided by participation in a risk pool agreement with CSAC-EIA that provides statutory coverage. The risk pool is reinsured through commercial companies from $5,000,001 to the statutory limit.

Annual contributions are made by the County to the workers' compensation, general liability and medical malpractice programs based upon actuarially recommended funding levels. The reserve for each program includes the estimated liability for claims filed against the County as well as the estimated amount of claims incurred but not reported, as computed by an independent actuary. Contributions to the fire and property, unemployment and vehicle damage programs are based on actual historical claim loss experience.

Settled claims for all programs have not exceeded the commercial coverage in any of the past three fiscal years. The claims liability of approximately $71,689,000 reported in the Risk Management Fund at June 30, 2012 is based on the requirement that claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The following Table 21 sets forth the Risk Management Fund's claims liability amount in Fiscal Years 2007-08 through 2011-12.

TABLE 21
COUNTY OF FRESNO
RISK MANAGEMENT FUND CLAIMS LIABILITY
Fiscal Years 2007-08 through 2011-12
($ in thousands)

Fiscal Year	Beginning of Fiscal-Year Liability	Current-Year Claims and Changes in Provision	Claim Payments	Balance at Fiscal Year-End
2007-08	$57,826	$30,555	$(26,495)	$61,886
2008-09	61,886	26,636	(21,441)	67,081
2009-10	67,081	35,330	(32,528)	69,883
2010-11	69,883	26,260	(23,362)	72,781
2011-12	72,781	23,531	(24,624)	71,689

Source: County of Fresno Comprehensive Annual Financial Report for Fiscal Years 2007-08 through 2010-11; County Auditor-Controller/Treasurer-Tax Collector for Fiscal Year 2011-12.

Indebtedness

Debt Policy. The County established the Debt Advisory Committee ("DAC") in 1993. The DAC is responsible for reviewing all potential financings issued by the County and making appropriate recommendations to the County Board. The DAC consists of two members from the County Board, the County Administrative Officer, the Auditor-Controller/Treasurer-Tax Collector and County Counsel. The County gives priority to assessing its debt capacity when considering any proposed debt. In assessing the County's debt capacity, the Debt Policy directs the County to evaluate budgetary capacity with respect to the County's ability to absorb debt and consider debt outstanding and potential debt service.

The County Board adopted the County of Fresno Debt Policy (the "Debt Policy") in 2006. The County established the Debt Policy to help ensure the financial stability of the County, to reduce the County's costs of borrowing, and to protect the County's good credit quality through proper debt management. Although the Debt Policy establishes a framework for debt issuance, the Debt Policy states that the County shall apply it in a flexible manner to take advantage of market opportunities and to respond to changing conditions without jeopardizing essential public services.

Short-Term Financing. The County has a cash management program for its General Fund through the issuance of tax and revenue anticipation notes. The notes provide cash flows to meet County General Fund expenditures during the period prior to the collection of property taxes. There is currently outstanding $82,000,000 aggregate principal amount of 2012-13 tax and revenue anticipation notes which mature on June 28, 2013. The following Table 22 sets forth the principal amounts of the County's tax and revenue anticipation notes issued for Fiscal Years 2003-04 through 2012-13.

TABLE 22
COUNTY OF FRESNO
TAX AND REVENUE ANTICIPATION NOTES
Fiscal Years 2003-04 through 2012-13

Fiscal Year	Amount
2003-04	$57,000,000
2004-05	80,000,000
2005-06	90,000,000
2006-07	77,000,000
2007-08	60,000,000
2008-09	95,000,000
2009-10	95,000,000
2010-11	86,000,000
2011-12	78,000,000
2012-13	82,000,000

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

Long Term Debt. The following Table 23 is a summary of long-term debt obligations payable from the County's General Fund.

TABLE 23
COUNTY OF FRESNO
SUMMARY OF LONG-TERM DEBT OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
As of September 1, 2012
($ in thousands)

	Interest Rates	Final Maturity Dates	Original Principal Amounts)	Principal Amounts Outstanding
Fresno County Financing Authority Lease Revenue Bonds, Series 2004 (Juvenile Justice Campus)(1)	2.00 – 4.40%	2024	$ 26,000	$ 18,215
Fresno County Financing Authority Lease Revenue Bonds, Series 2004B (Energy Savings Project)(1)	2.25 – 4.00	2019	14,375	7,945
Fresno County Financing Authority Lease Revenue Bonds, Series 2007 (Shared Use Juvenile Court Project)	4.00 – 4.75	2030	55,350	50,070
Fresno County Taxable Pension Obligation Bonds Refunding Series 2002	6.06 – 6.67	2018	117,055	79,025
Fresno County Taxable Pension Obligation Bonds Series 2004A	1.30 – 5.67(2)	2032	327,898	285,853
Fresno County Taxable Pension Obligation Bonds Series 2004B	5.56	2033	75,000	75,000
Total			$615,678	$516,108

(1) The Lease Revenue Bonds, Series 2004 (Juvenile Justice Campus) and Lease Revenue Bonds, Series 2004B (Energy Savings Project) will be refunded in whole with a portion of the proceeds of the Series 2012A Bonds described in the forepart of this Official Statement.
(2) Yields to maturity on the Taxable Pension Obligation Bonds Series 2004A Capital Appreciation Bonds range from 5.365% to 5.67%.

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

Civil Assessments. The County has entered into a Memorandum of Understanding, dated July 1, 2005 ("Memorandum of Understanding"), with the Superior Court of California of the County of Fresno (the "Superior Court"), and an agreement dated as of March 13, 2007 with the Superior Court and the Judicial Council of California, acting by and through the Administrative Office of the Courts (the "AOC") (the "Agreement," and, together with the Memorandum of Understanding, the "MOU"). Under the MOU, the County will receive the net amount of certain civil assessments imposed against defendants who failed to appear in court for an authorized proceeding (the "Civil Assessments"). The Superior Court collects the Civil Assessments, and pays those monies to the AOC, which, in turn, pays those monies to the County pursuant to the terms and conditions of the MOU. The first amount of monies received by the County from the AOC in accordance with the MOU from Civil Assessments up to approximately $65,000 annually through the first five years of payments and approximately $10,000 - $13,000 annually through the subsequent five years of payments is to be used by the County to make payments in respect of lease and tenant improvements with respect to a certain Selma Courthouse in the County. Thereafter, up to 50% of the balance, if any, received by the County from the AOC in accordance with the MOU from Civil Assessments up to $500,000 per court fiscal year for up to a 20-year period, which is expected to end June 30, 2029, may be used by the County to pay a substantial portion of the base rental payments due under the lease entered into by the County in connection with the Fresno County Finance Authority's Lease Revenue Bonds, Series 2007 (Shared Use Juvenile Court Project) (the "Series 2007 Lease Revenue Bonds"), which bonds financed a portion of the construction costs of a shared use juvenile court and offices for the County and the State. Base Rental Payments in connection with the Series 2007 Lease Revenue Bonds range from $1,760,000 to $3,910,000 during the term thereof.

The following Table 24 sets forth the amount of Civil Assessments received by the County in Fiscal Years 2007-08 through 2011-12.

TABLE 24
COUNTY OF FRESNO
CIVIL ASSESSMENT REVENUES
Fiscal Years 2007-08 through 2011-12

Fiscal Year	Amount of Civil Assessments[1]
2007-08	$3,660,405
2008-09	3,279,942
2009-10	4,272,719
2010-11	4,166,303
2011-12	5,323,615[2]

(1) See text above for a description of amount available to pay a portion of the Base Rental Payments due under the Lease Agreement by and between the County and the Fresno County Finance Authority entered into in connection with the Series 2007 Lease Revenue Bonds.
(2) Civil Assessment revenues for Fiscal Year 2011-12 reflect revenues collected through June 30, 2012.

Source: Judicial Council of California, Administrative Office of the Courts - Report of Revenues - Superior Court of California of the County of Fresno.

There can be no assurances that the County will continue to receive Civil Assessments. Furthermore, notwithstanding any insufficiency or delay of any Civil Assessments received by the County, the County is liable for the Base Rental Payments under the Lease from any available revenues of the County.

Lease Obligations. As of June 30, 2011, the County was the lessee under certain capital leases in effect with respect to real property and equipment used by the County. The following Table 25 sets forth the minimum lease payments in Fiscal Years 2011-12 through 2015-16 required by the County under capital leases as of June 30, 2011.

TABLE 25
COUNTY OF FRESNO
MINIMUM CAPITAL LEASE PAYMENTS
As of June 30, 2011
($ in thousands)

Government Activities (Fiscal Year ended June 30)	Total Payments	Imputed Interest	Present Value of Net Minimum Lease Payments
2012	$1,817	$150	$1,667
2013	1,220	82	1,138
2014	855	29	826
2015	188	3	185
2016	4	--	4
Totals	$4,084	$264	$3,820

Source: County of Fresno Comprehensive Annual Financial Report as of June 30, 2011.

The County has never failed to pay any note, long term indebtedness or lease obligation as and when due.

Direct and Overlapping Debt

Set forth in the following Table 26 on the following page is a direct and overlapping bonded indebtedness report as of August 1, 2012 (the "Debt Report") which was compiled by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County. 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.

TABLE 26
COUNTY OF FRESNO
Estimated Direct and Overlapping Bonded Debt
As of August 1, 2012

2011-12 Assessed Valuation:	$61,419,373,341	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	4,105,283,470	
Adjusted Assessed Valuation:	$57,314,089,871	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/12
Merced Community College District School Facilities Improvement District No. 2	2.774%	$ 284,053
State Center Community College District	83.854	87,518,420
West Hills Community College District and School Facilities Improvement Districts	29.727-99.574	37,936,692
Central Unified School District	100.000	94,865,247
Clovis Unified School District	100.000	174,326,178
Fresno Unified School District	100.000	383,208,008
Kings Canyon Joint Unified School District	89.602	39,174,674
Sanger Unified School District	100.000	42,489,481
Other Unified School Districts	Various	98,693,128
High School and School Districts	Various	22,809,454
City of Mendota	100.000	30,000
Hospital Districts	100.000	26,968,815
Other Special Districts	100.000	480,000
City Community Facilities Districts	100.000	4,435,000
1915 Act Bonds (Estimated)	100.000	18,801,807
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$1,032,020,957

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Fresno County General Fund Obligations	**100.000%**	**$ 76,230,000**[(1)(2)]
Fresno County Pension Obligations	**100.000**	**460,617,749**
Community College District General Fund Obligations	Various	48,414,035
Central Unified School District Certificates of Participation	100.000	28,430,000
Clovis Unified School District General Fund Obligations	100.000	36,785,000
Fresno Unified School District General Fund Obligations	100.000	29,900,000
Sanger Unified School District Certificates of Participation	100.000	24,931,474
Other School District General Fund Obligations	Various	29,377,038
City of Clovis General Fund Obligations	100.000	14,735,000
City of Fresno General Fund and Judgment Obligations	100.000	279,204,664
City of Fresno Pension Obligations	100.000	163,450,000
Other City General Fund Obligations	100.000	12,220,543
Coalinga Regional Medical Center General Fund Obligations	100.000	5,185,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$1,209,480,503[(1)]
Less: City of Kingsburg supported obligations		2,845,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$1,206,635,503[(1)]
GROSS COMBINED TOTAL DEBT		$2,241,501,460[(1)(2)]
NET COMBINED TOTAL DEBT		$2,238,656,460[(1)]

(1) Includes the Fresno County Financing Authority's Lease Revenue Bonds, Series 2004 (Juvenile Justice Campus) and Lease Revenue Bonds, Series 2004B (Energy Savings Project) which will be refunded in whole with a portion of the proceeds of the Series 2012A Bonds described in the forepart of this Official Statement. Does not include the Series 2012A Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on the principal amount due at maturity.

Ratios to 2011-12 Assessed Valuation:
Total Overlapping Tax and Assessment Debt...................1.68%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($536,847,749)..........................0.94%
Gross Combined Total Debt..3.91%
Net Combined Total Debt...3.91%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: $76,836

Source: California Municipal Statistics, Inc.

General Fund Financial Statements

Except as noted below, the County's accounting policies and audited financial statements conform to generally accepted accounting principles and standards for public financial reporting established by the Governmental Accounting Standards Board ("GASB").

The County's basis of accounting for its governmental type funds and agency funds is the modified accrual basis with revenues being recorded when available and measurable and expenditures being recorded when services or goods are received and with all unpaid liabilities being accrued at year end. The accrual basis of accounting is utilized in the Proprietary Funds and the Pension Trust Fund. All of the financial statements contained in this Official Statement, other than the General Fund Cash Flow Schedules, have been prepared as described above.

Funds are accounted for by the County are categorized as follows:

Governmental Funds	Proprietary Funds	Fiduciary Funds
General Fund	Enterprise Funds	Trust Funds
Special Revenue Funds	Internal Service Funds	Agency Funds
Capital Projects Funds		
Debt Service Fund		

County Investment Pool

The Auditor-Controller/Treasurer-Tax Collector is responsible for the investment of all monies deposited into the County treasury. Amounts held in the treasury are invested in the Pooled Investment Fund of the County (the "County Investment Pool"), which invests in securities according to the Investment Policy of the County Auditor-Controller/Treasurer-Tax Collector (the "County Investment Policy") as authorized by Sections 53635 and 53635.2 of the Government Code of California (the "California Government Code"). From time to time bills are proposed in the State Legislature that would modify the currently authorized investments and place restrictions on the ability of local agencies to invest in various securities. Therefore, there can be no assurances that the current investments in the County Investment Pool will not vary from the investments described herein or as may be authorized in the future by the California Government Code.

The Auditor-Controller/Treasurer-Tax Collector only invests in securities legally allowed by State law and authorized by the County Investment Policy. The objectives of the County Investment Policy, listed in priority order, are legality, safety, liquidity, return on investment, and local community reinvestment. The County Investment Policy stipulates that the target average weighted maturity of the Treasury Investment Pool shall not exceed 3.5 years for securities in the County Investment Pool, that no single investment may have a maturity exceeding five years, and that at no time should current cash flow requirements be impaired. The County has established an investment oversight committee. The Auditor-Controller/Treasurer-Tax Collector provides the County Board with a monthly Investment Inventory Report and a monthly transactions report. In addition, the County has hired an independent consultant to perform quarterly compliance reports and a certified public accounting firm to perform independent annual audits of the County Investment Pool. The County believes that the County Investment Pool is prudently invested and that investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the County's expenditures and other scheduled withdrawals.

The County Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each security type. The composition of the County Investment Pool will change over time as old investments mature and as new investments are made. Since July 1, 1997, the County, in accordance with new GASB regulations, has not realized market value fluctuations for the investments in the County Investment Pool on its income statements but has disclosed gains. Although the market value of certain of the securities in the County Investment Pool are less than the County's net book value for those securities, the County does not anticipate that it will realize any losses with respect to such investments since the County intends to hold such investments until their maturity. However, unexpected withdrawals from the County Investment Pool could force the sale of some investments prior to maturity and lead to realization of losses with respect to those investments. Such unexpected withdrawals occur infrequently and thus are considered unlikely by the County, based on historical withdrawal patterns relating to the County Investment Pool. The County Investment Pool represents monies entrusted to the Auditor-Controller/Treasurer-Tax Collector by the County, schools and special districts within the County.

State law requires that all monies of the County, school districts, and certain special districts be held by the Auditor-Controller/Treasurer-Tax Collector. Approximately 24% of the amounts in the County Investment Pool at any time, exclusive of the amounts resulting from County short-term borrowing, are attributable to the County. Approximately 64% of the amounts in the County Investment Pool are attributable to depositors such as school districts, which are required by law to make deposits in the County Investment Pool. Monies deposited in the County Investment Pool by the participants represent an undivided interest in all assets and investments in the County Investment Pool based upon the amount deposited. All interest, income, gains and losses are distributed to the participants based upon their average daily balance.

As of June 30, 2012, County Investment Pool market-to-book value analysis indicated a 1.3% appreciation because of fluctuations in interest rates. The County determines the market value of the County Investment Pool quarterly but does not mark-to-market. Current liquidity in the County Investment Pool, consisting of cash, investments in mutual funds and investments in cash equivalents, is approximately 10.9% as of June 30, 2012. The Auditor-Controller/Treasurer-Tax Collector calculates and apportions interest quarterly. The weighted average days-to-maturity for the month ended June 30, 2012 was 2.8 years.

The following types of securities are held by the County Investment Pool: certificates of deposit, U.S. Treasury bills and bonds, federal agency obligations, medium term bonds ("corporate bonds"), money market mutual funds, mortgage backed securities ("MBS") and asset backed securities ("ABS"). State registered warrants that the State issues as payments of any of its obligations owed to the County, the County's Treasury Investment Pool participants, or depositors with the County Treasurer may also be held by the County Investment Pool.

Derivatives such as inverse-floating rate securities are not held in the County Investment Pool. The County Investment Pool also does not own any reverse repurchase agreements, nor has the County engaged in securities lending. The County Investment Pool has not purchased and does not own any collateralized debt obligations, collateralized loan obligations, or any other securities backed by or derived from sub-prime or Alt-A mortgages.

As of June 30, 2012, approximately 10.9% of the County Investment Pool's portfolio was comprised of securities with a maturity of less than one month, 0% was invested in securities with maturities ranging from one to three months, 1.4% was invested in securities with maturities ranging from three to six months, 5.5% was invested in securities with maturities ranging from six months to one year and 82.2% was invested in securities with maturities over one year.

The Financial Advisor has made no independent investigation of the investments in the County Investment Pool and has not assessed the current Investment Policy. The value of the various investments in the County Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Investment Pool will not vary from the values described herein.

The following Table 27 reflects various information with respect to the County Investment Pool as of the close of business on June 30, 2012. As described above, a wide range of investments are authorized under State law. For additional information concerning County investments, see Appendix C – "County of Fresno General Purpose Financial Statements for the Fiscal Year Ended June 30, 2011" attached to this Official Statement.

TABLE 27
COUNTY OF FRESNO
Pooled Investment Fund of the County
As of June 30, 2012

	Net Market Value ($ in thousands)	Percentage of Total Net Market Value
INVESTMENTS		
Corporate Notes (MTN)	$ 158,699	8.1%
Federal Agency Securities	1,573,788	80.5
U.S. Treasury Securities	11,334	0.6
Local Agency Investment Fund	50,000	2.6
Mutual Fund and Money Market Funds	70,018	3.6
TOTAL INVESTMENTS(1)	$1,863,839	95.4%
CASH	$ 90,368	4.6%
TOTAL CASH AND INVESTMENTS(1)	$1,954,207	100.0%

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

(1) Amounts may not total due to rounding. The County determines the market value of its County Investment Pool quarterly.

The Teeter Plan

The County has adopted the Teeter Plan, which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State (comprising Sections 4701 through 4717, inclusive) (the "Teeter Law"), commonly referred to as the "Teeter Plan," for distribution of certain property tax and assessment levies on the secured roll.

Pursuant to the Teeter Law, the County Board adopted Resolution No. 93-572 on October 12, 1993 adopting the Teeter Plan. Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes (and assessments in those instances specifically authorized by the County Board) are distributed to taxing agencies within Fresno County included in the Teeter Plan based on the tax levy, rather than based on actual tax collections, in advance of the date on which the County receives such tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided.

In addition, pursuant to the Teeter Law, the County is required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (*i.e.*, if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund is currently fully funded in accordance with the County's election to be governed by the first alternative in the amount of $6,190,333. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are available to be credited to the County's General Fund.

Community Facilities Districts

The County has established three regional community facilities districts and one county-wide community facilities district (the "Countywide District") pursuant to the Mello-Roos Community Facilities Act of 1982 to help support law enforcement service for certain subdivisions in unincorporated areas of the County. Amounts received from the special tax levied upon the affected property owners of each community facilities district will be used to strive to maintain a staffing ratio of two sworn officers per 1,000 residents within such community facilities district. Subject to the approval of the qualified electors of the affected areas, subdivisions created after March 21, 2006 will be annexed into the Countywide District. See "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations – Proposition 218" in the forepart of this Official Statement.

STATE OF CALIFORNIA BUDGET AND SUPPLEMENTAL FINANCIAL INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the 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's budget is posted by the Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. In addition, certain 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 and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, emma.msrb.org. The information referred to on the website of the State Treasurer is prepared by the State and not by the County, and the County takes no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2012-13

Fiscal Year 2012-13 Proposed State Budget. On January 5, 2012, Governor Brown released his 2012-13 Proposed Budget (the "Fiscal Year 2012-13 Proposed State Budget"), which estimated that, without corrective action, the State would end Fiscal Year 2012-13 with a $9.2 billion deficit consisting of a $4.1 billion State General Fund deficit through the end of Fiscal Year 2011-12 (rather than the $1.5 billion reserve balance assumed in the 2011-12 State Budget Act) and a $5.1 billion excess of expenditures over revenues for Fiscal Year 2012-13. The Fiscal Year 2012-13 Proposed State Budget proposes $10.3 billion in expenditure reductions and increased revenues (including a temporary increase in income and sales taxes proposed for the November 2012 ballot (the "2012 Tax Initiative")) to balance the State's budget for Fiscal Year 2012-13 and to rebuild a reserve. Assuming the passage of the 2012 Tax Initiative, the Fiscal Year 2012-13 Proposed State Budget estimated Fiscal Year 2012-13 revenues and transfers of $95.4 billion, total expenditures of $92.6 billion and a year-end surplus of $1.9 billion (net of the negative $985 million prior-year State General Fund balance). The Fiscal Year 2012-13 Proposed State Budget proposed to allocate the projected surplus to the reserve for the liquidation of encumbrances ($719 million) and the special fund for economic uncertainties ($1.1 billion).

The Fiscal Year 2011-12 Proposed State Budget relied in part on passage of the 2012 Tax Initiative, pursuant to which the personal income tax rates for certain high income earners would increase for five years (2012 through 2016) and State sales and use tax would increase by one-half percent for four years (2013 through 2016). The Fiscal Year 2012-13 Proposed State Budget projected that 2012 Tax Initiative, if approved, would generate approximately $6.9 billion through Fiscal Year 2012-13 and generate billions of dollars per year until its expiration. The taxes would be deposited into the State's General Fund to pay for Proposition 98 school funding obligations and certain State programs. In the event the Governor's proposed ballot proposition fails to pass, the Fiscal Year 2012-13 Proposed State Budget specified approximately $5.4 billion in expenditure reductions in, among other things, education (accounting for 90% of the targeted reductions) and judicial branch appropriations. The Governor noted that the implementation of many of the proposals contained in the Fiscal Year 2012-13 Proposed State Budget would require additional time before savings are accrued and additional expenditure reductions may be needed.

Certain of the features of the Fiscal Year 2012-13 Proposed State Budget which could affect counties in the State included the following:

1. The Governor proposed that the State repeal, suspend or modify the terms of many State mandates upon school districts and local governments, which is estimated to reduce the State's General Fund expenditures by approximately $828 million. In addition, Fiscal Year 2012-13 Proposed State Budget proposed to repeal certain of the mandates that have been suspended for the past two years or more, which would result in a decrease of approximately $728.8 million of General Fund spending. Further, the Fiscal Year 2012-13 Proposed State Budget proposed to decrease General Fund spending by $99.5 million by deferring the Fiscal Year 2012-13 payment for mandate costs incurred prior to Fiscal Year 2004-05.

2. The Fiscal Year 2012-13 Proposed State Budget continued the realignment plans set forth in the 2011-12 State Budget Act with respect to public safety, including the shift of various public safety programs and the supervision of lower level offenders from the State to local governments. In addition, the Fiscal Year 2012-13 Proposed State Budget proposed to shift full responsibility for all juvenile offenders to counties and fund such shift by providing to counties a one-time $10 million State General Fund allocation in Fiscal Year 2011-12. The Fiscal Year 2012-13 Proposed State Budget also proposed to allocate to counties revenues from a 1.0625 percent sales tax rate and approximately $460 million in Vehicle License Fee revenues in Fiscal Year 2012-13. Further, the 2012 Tax Initiative would constitutionally dedicate to counties the revenues earmarked for realignment in the 2011-12 State Budget Act.

3. The Fiscal Year 2012-13 Proposed State Budget proposed to restructure the California Work Opportunity and Responsibility to Kids program to, among other changes, limit the provision of employment services and child care to 24 months for families not fully meeting work participation requirements, and to create a separate child maintenance program to continue income support to children whose parents are not eligible for cash aid. The Governor estimated that, if approved, this proposal will reduce General Fund expenditures by $1.4 billion.

4. The Fiscal Year 2012-13 Proposed State Budget proposed to shift certain individuals eligible for both Medi-Cal and Medicare services from fee-for-service to managed care plans. Such shift is proposed to begin with eight to ten counties on January 1, 2013, with the rest of the counties in the State shifting within the following few years. The Fiscal Year 2012-13 Proposed State Budget projected that the shift will achieve ongoing savings for the State General Fund of $1 billion beginning in Fiscal Year 2013-14. The Fiscal Year 2012-13 Proposed State Budget also assumed net savings for the State General Fund of $679 million in Fiscal Year 2012-13 mainly due to a payment deferral to all Medi-Cal providers.

6. In *California Redevelopment Association et al. v. Matosantos et al.,* the California Supreme Court upheld Assembly Bill 26 of the 2010-11 First Extraordinary Session, which led to the dissolution of all redevelopment agencies within the State on February 1, 2012. Revenues that would have been directed to the redevelopment agencies are applied to make pass-through payments (*i.e.*, payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment agencies. The Fiscal Year 2012-13 Proposed State Budget projected that the elimination of redevelopment agencies will provide additional property tax revenue in the

amount of $1.05 billion for K-14 schools, $340 million for counties, and $220 million for cities and $170 million for special districts.

LAO Analysis of the 2012-13 Proposed State Budget. On January 11, 2012, the LAO released a report entitled "The 2012-13 Budget: Overview of the Governor's Budget" (the "2012 LAO Budget Overview"), which provides an analysis by the LAO of the Fiscal Year 2012-13 Proposed State Budget. The 2012 LAO Budget Overview stated that the Governor has made a good-faith effort in revenue and economic forecasting despite the many uncertainties involved in projecting the State's recovery from the current economic downturn. Nevertheless, the LAO's revenue estimates for Fiscal Years 2011-12, 2012-13, and subsequent years currently were lower than the Governor's estimates and the LAO's estimates of revenues from the Governor's 2012 Tax Initiative were significantly lower than those of the Governor's. In reviewing the Governor's major proposals, the 2012 LAO Budget Overview stated that the Governor's proposals for restructuring the school finance system, community college categorical funding and education mandates and his proposals for reducing social services and child care program funding merit consideration. The 2012 LAO Budget Overview also stated that the Governor's 2012 Tax Initiative would increase the State budget's dependence on the volatile income tax payments by the State's wealthiest individuals and the trigger reductions proposed therein would create significant uncertainty for schools, community colleges, and universities in Fiscal Year 2012-13 if implemented. The 2012 LAO Budget Overview concluded that if the State chose either of the Governor's two paths (*i.e.*, the multiyear tax increases and significant reductions in social services and subsidized child care programs or the trigger reductions largely relating to schools), the State budget would come closer to being balanced over the next several years.

Governor's Revised 2012 Tax Initiative. On March 14, 2012, the Governor announced that he would combine the Governor's 2012 Tax Initiative with an initiative proposed by the California Federation of Teachers to place the "Schools and Local Public Safety Protection Act" (the "Governor's Revised 2012 Tax Initiative") on the November 2012 ballot. If approved, the Governor's Revised 2012 Tax Initiative would temporarily increase maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The LAO projected that the increased personal income tax rates would affect approximately 1 percent of personal income tax filers in the State due to the high income threshold. If approved, the Governor's Revised 2012 Tax Initiative would be in effect from the 2012 tax year to the 2018 tax year. In addition, the Governor's Revised 2012 Tax Initiative would temporarily increase the State's sales and use tax rate by 0.25 percent from 2013 to 2016. On March 16, 2012, the LAO released its review of the Governor's Revised 2012 Tax Initiative. The LAO projected that revenues attributable to the Governor's 2012 Tax Initiative will be less than the Governor's $9 billion estimate. The County cannot predict whether the Governor's Revised 2012 Tax Initiative will be approved or the actions that may be taken by the State in connection with the approval or rejection of the Governor's Revised Tax Initiative by voters in the State.

May Revision to the Fiscal Year 2012-13 Proposed State Budget. On May 14, 2012, the Governor released the May Revision to the Fiscal Year 2012-13 Proposed State Budget (the "May Revision"), which estimated that the State's budgetary shortfall for Fiscal Year 2012-13 has increased to $15.7 billion as a result of reduced revenue forecasts, increases in school funding and unfavorable litigation outcomes and determinations by the federal government. The May Revision proposed $16.7 billion in budgetary actions in Fiscal Years 2011-12 and 2012-13 to address the projected budgetary shortfall and provide for a reserve of $1.0 billion at the end of Fiscal Year 2012-13. The May Revision proposed to address the State's deficit through additional spending reductions (including the use of local reserves to reduce State General Fund costs for local trial courts on a one-time basis, reductions to hospital and nursing home funding and reductions in IHSS hours), implementation of the temporary tax increases set forth in the Governor's Revised 2012 Tax Initiative and use of various transfers, loans and repayment extensions. Assuming adoption of the proposals set forth in the May Revision and the approval of the Governor's Revised 2012 Tax Initiative, the Governor estimated that the State would end Fiscal Year 2011-12 with revenues and transfers of $86.809 billion, total expenditures of $86.500 billion and a year-end deficit of $2.535 billion, which includes a $2.844

billion prior-year State General Fund deficit and an allocation of $719 million to the reserve for the liquidation of encumbrances. The May Revision projected Fiscal Year 2012-13 revenues and transfers of $95.689 billion, total expenditures of $91.387 billion and a year-end surplus of $1.767 billion (net of the $2.535 billion deficit from Fiscal Year 2011-12), of which $719 million would be reserved for the liquidation of encumbrances and $1.048 billion would be deposited in a reserve for economic uncertainties.

The May Revision also set forth $6.1 billion in trigger cuts that would go into effect on January 1, 2013 should the Governor's Revised 2012 Tax Initiative fail to pass, including reduced funding for schools, community colleges and other higher education institutions, and reduced funding for a variety of public safety programs. The May Revision further stated that potential cost increases associated with actions to reduce the federal deficit, federal government and court decisions, the pace of the economic recovery, an aging population and rising health care costs, among other things, threaten the ability of the State to achieve and maintain a balanced budget over the long-term.

Features of the May Revision affecting counties in general included, but are not limited to, the following:

1. The May Revision updated funding allocations with respect to State and local realignment responsibilities on a program-by-program basis with updated caseload information. In addition, the May Revision proposed trailer bill provisions to create a permanent funding structure for the realignment of State and local government responsibilities. In connection therewith, counties would be allowed to maintain realignment subaccounts from which they would have flexibility to address spending priorities and manage federal funds and requirements.

2. The May Revision revised the juvenile justice proposal set forth in the Fiscal Year 2012-13 Proposed State Budget to maintain the Division of Juvenile Justice as an available placement option for youthful offenders and proposed policies related to operational efficiency and cost reductions. In addition, the May Revision proposes to implement a new fee structure pursuant to which the State will charge counties $24,000 per year for each offender committed by a juvenile court to the Division of Juvenile Justice.

3. The May Revision included $1.2 billion in additional spending reductions to health and human services, for a total of $8.3 billion total proposed cuts for Fiscal Year 2012-13. The proposals included phasing-in the Coordinated Care Initiative and delaying implementation from January 1, 2013 to March 1, 2013, reducing total authorized IHSS hours by seven percent across the board, eliminating domestic and related services to IHSS consumers living with other adults who are not IHSS participants, reducing supplemental payments to private hospitals, eliminating public hospital grants and eliminating increases to managed care plans for supplemental payments to designated public hospitals, shifting 875,000 Healthy Families Program participants to Medi-Cal starting in October 2012, redesigning CalWORKs to provide a track for those entering the welfare-to-work program that would be operational beginning in October 2012 (CalWORKS Basic) and a track for those who maintain unsubsidized employment at specified levels (CalWORKs Plus), and changes and reductions for subsidized child care programs.

4. In connection with the State's budget for Fiscal Year 2010-11, the State's gasoline tax was replaced with an excise tax, the revenues from which are not restricted by the State Constitution. The May Revision proposed an appropriation of $708.5 million to counties and cities to backfill revenues previously attributable to Proposition 42. Counties were estimated to receive approximately $354 million. The May Revision also proposed to deposit approximately $312 million from the excise tax revenues in the State's General Fund from the Highway Users Tax Account, which would correspond to the revenues from the new gas tax collected on gasoline used for off-highway vehicles since the enactment of the swap.

5. The May Revision included trailer bill language to provide $500 million of additional lease revenue bond financing authority for the acquisition, design and construction of local facilities to help

counties manage their offender population. The authority would augment the $1.2 billion of lease revenue bond financing authority authorized by Assembly Bill 900 in connection with the local Jail Construction Financing Program.

6. In connection with the dissolution of redevelopment agencies pursuant to ABx1 26 and the related California Supreme Court decision in *California Redevelopment Association v. Matosantos*, the May Revision proposed legislation to create a framework for successor agencies to transfer cash assets not obligated or reserved for legally authorized purposes to cities, counties, special districts and K-14 schools in Fiscal Year 2012-13.

LAO Analysis of the May Revision. On May 18, 2012, the LAO released an analysis of the May Revision entitled "The 2012-13 Budget: Overview of the May Revision" (the "LAO May Revision Overview"). The LAO Revision May Overview stated that the economic and revenue forecasts included in the May Revision are reasonable, but noted that the Governor's projected revenues for fiscal years after Fiscal Year 2012-13 are higher than those projected by the LAO (ranging from $1.3 billion to $4 billion higher through Fiscal Year 2015-16). In addition, the LAO stated that the Governor's estimate of former redevelopment agencies' liquid assets available for distribution is subject to considerable uncertainty due to, among other things, lawsuits that will delay distribution of funds and the amount of assets that have been spent or are contractually committed to third parties. Further, the LAO recommended that the State Legislature consider an alternative financing plan for the Proposition 98 minimum guarantee rather than the Governor's proposal set forth in the May Revision to achieve additional budget balancing solutions. According to the LAO, the State should address two key budgetary goals: (1) retiring the accumulated deficit of recent years, which the Governor's administration presently estimates to be $7.6 billion (which may be addressed through one-time actions) and (2) making additional progress toward addressing the State's ongoing annual operating, or structural, deficit, which the LAO estimated to be approximately $10 billion, through realistic and ongoing budget actions. The LAO also stated that given current forecasting challenges, the adoption of realistic budgetary actions, including realistic trigger cuts, is particularly important if the State is to continue making progress toward eliminating the ongoing structural deficit.

2012-13 State Budget Act. On June 28, 2012, the Governor signed the State Budget Act for Fiscal Year 2012-13 (the "2012-13 State Budget Act") to address a then-projected $16.6 billion deficit through June 30, 2013. The 2012-13 State Budget Act estimated Fiscal Year 2012-13 revenues and transfers of $95.89 billion, total expenditures of $91.34 billion and a year-end surplus of $1.67 billion (net of the negative $2.88 billion prior-year State General Fund balance). The 2012-13 State Budget Act allocates $719 million of the projected surplus to the reserve for the liquidation of encumbrances and $948 million of the projected surplus to the special fund for economic uncertainties. The 2012-13 State Budget Act also sets forth $5.95 billion in trigger cuts that are scheduled to go into effect on January 1, 2013 should the Governor's Revised 2012 Tax Initiative fail to pass, including reduced funding for schools, community colleges and other higher education institutions, and reduced funding for a variety of public safety programs. The 2012-13 State Budget Act further states that under current projections and assuming voter approval of the Governor's Revised 2012 Tax Initiative, the State's budget for Fiscal Year 2012-13 will be balanced in an ongoing manner.

Features of the 2012-13 State Budget Act affecting counties in general include, but are not limited to, the following:

1. The 2012-13 State Budget Act suspends the county share of child support collections in Fiscal Year 2012-13. The 2012-13 State Budget Act projects the suspension will reduce State General Fund expenditures by approximately $31.9 million.

2. The 2012-13 State Budget Act continues the Governor's plan to modify the correctional system and realign responsibilities between the State and counties. The 2012-13 State Budget Act

implements a new fee structure pursuant to which the State will charge counties $24,000 per year for each offender committed by a juvenile court to the Division of Juvenile Justice.

3. The 2012-13 State Budget Act provides $500 million of additional lease revenue bond financing authority for the acquisition, design and construction of local facilities to assist counties in the management of their respective offender populations. The additional bond financing authority will be in addition to the $1.2 billion of lease revenue bond financing authority provided by Assembly Bill 900 (2007) for two phases of the Local Jail Construction Financing Program.

4. The 2012-13 State Budget Act creates a process pursuant to which the State will determine how the liquid assets of redevelopment agencies that were dissolved pursuant to ABx1 26 should have been shifted to their successor agencies when they were dissolved. Pursuant to this process, loans from cities and counties to their redevelopment agencies currently ineligible for repayment would be deemed eligible for repayment beginning in Fiscal Year 2013-14. In addition, land and other physical assets that are not needed for enforceable obligations of the former redevelopment agencies may be transferred by the successor agency to the city or county that created the redevelopment agency and used for economic development. Upon the transfer, the receiving city or county will not be required to compensate the affected taxing entities.

5. The 2012-13 State Budget Act created a one-time process pursuant to which taxing entities may be able to recapture property tax revenue that, due to the timing of the Supreme Court's ruling in *California Redevelopment Association v. Matosantos* and inconsistent interpretations of the law, such taxing entities did not receive in Fiscal Year 2011-12. The 2012-13 State Budget Act required successor agencies to remit these amounts to the related county auditor-controller and such county auditor-controller was required to distribute these amounts to the affected taxing entities in July 2012.

6. The 2012-13 State Budget Act continues the Governor's plan to modify or suspend mandates upon local agencies from the State. The 2012-13 State Budget Act suspends various mandates for Fiscal Year 2012-13, with the exception of certain mandates relating to law enforcement and property taxes. The Governor estimates that this suspension will reduce State General Fund expenditures by approximately $728.8 million. The 2012-13 State Budget Act proposes to suspend these mandates in Fiscal Years 2013-14 and 2014-15. In addition, the 2012-13 State Budget Act defers approximately $99.5 million due to local agencies for payment for mandate costs incurred prior to Fiscal Year 2004-05.

Additional Information; Future State Budgets

Information about the State budget and State spending for subdivisions of the State, such as the County, which receive the majority of their revenues through the State, is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget". Various analyses of the State budget may be found at the website of the LAO at www.lao.ca.gov. In addition, certain State official statements, many of which contain a summary of the current and past State budgets and the impact of those State budgets on counties in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov and through the website of the MSRB's EMMA System, emma.msrb.org. The information presented in these websites is not incorporated by reference in this Official Statement.

The County receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other counties in the State. The County cannot predict what actions will be taken in the current year or future years by voters in the State, the State Legislature, and the Governor to address future State budget deficits or surpluses. Future State budgets will be affected by national and State economic conditions and other factors over which the County has no control. To the extent that the State budget process results in reduced revenues to the County, the County will be required to make adjustments to its budgets.

Potential Impact of State Budget on County's Financial Condition

No assessment can be made by the County as to the significance of budgetary problems encountered by the State in this Fiscal Year. Moreover, no prediction can be made by the County as to whether the State will encounter further budgetary problems in this or in any future Fiscal Years, and if it were to do so, the measures that would be taken by the State to balance its budget as required by law are not known. The County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control.

DEMOGRAPHIC INFORMATION

General

The County was established April 19, 1856 from parts of Tulare, Mariposa and Merced Counties. Later boundary adjustments took parts of the original Fresno County, adding them to Madera, San Benito and Kings Counties. Fresno County is located in the approximate center of the San Joaquin Valley, about equidistant between the San Francisco and Los Angeles metropolitan areas. The County covers approximately 6,018 square miles, including 334 square miles of water. The County's population was approximately 945,711 as of January 1, 2012. The City of Fresno is the County seat.

The County is organized as a charter county under State law. The County charter was adopted on April 19, 1933. As required by State and federal mandate, the County is responsible at the local level for activities involving public welfare, health and justice (including jails) and for the maintenance of public records. The County also provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also operates recreational and cultural facilities serving both the incorporated and unincorporated areas of the County.

The County is governed by a five member County Board. Supervisors are elected by district to serve four-year terms on a staggered basis. The County Counsel, CAO and Executive Director of the Fresno In-Home Supportive Service Public Authority, an entity organized to facilitate negotiations with local unions, are appointed by the County Board and serve at the pleasure of the County Board. The County Administrative Officer is responsible for the operation and functioning of the County. The County's elected officials are the Assessor/Recorder, Auditor-Controller/Treasurer-Tax Collector, County Clerk, District Attorney, Coroner-Public Administrator and Sheriff.

Population

The following Table 28 sets forth the estimates of the County's population for calendar years 2008 through 2012.

TABLE 28
COUNTY OF FRESNO
POPULATION ESTIMATES
2008 through 2012

Year (as of January 1)	Population	Percent Increase
2008	906,521	1.50%
2009	918,560	1.33
2010	929,758	1.22
2011	936,089	1.12
2012	945,711	1.03

Source: State of California Department of Finance Demographic Research Unit.

Major Industries

The County's economy has a strong agricultural base, though industry has been developing rapidly in recent years. There are numerous manufacturing firms located in the County producing many steel products, materials made from concrete and glass, canned foods, paper goods, and commercial and scientific equipment.

The following Table 29 sets forth the employment by industry in the County.

TABLE 29
COUNTY OF FRESNO
EMPLOYMENT BY INDUSTRY
2011 Annual Averages

Industry	Annual Average Employment	Percentage of County Employment(1)	Percentage of County Total Labor Force(1)
Government	65,600	17.78%	14.84%
Agriculture	46,500	12.61	10.52
Retail Trade	33,100	8.97	7.49
Health Care Services	36,400	9.87	8.23
Professional and Business Services	27,000	7.32	6.11
Leisure and Hospitality	27,400	7.43	6.20
Manufacturing	23,900	6.48	5.41
Construction, Natural Resources and Mining	11,800	3.20	2.67
Finance, Insurance & Real Estate	13,200	3.58	2.99
Wholesale Trade	12,300	3.33	2.78
Transportation, Warehousing and Utilities	11,100	3.01	2.51

Source: State of California Employment Development Department, March 2010 Benchmark.

(1) Percentages based on data as of August 2012.

Labor Force

The following Table 30 sets forth employment by industry group and labor force figures for the County and employment and the unemployment rate in the County from 2006 through 2010.

TABLE 30
COUNTY OF FRESNO
EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES
2006 through 2010
(in thousands)

Industry Employment	2006	2007	2008	2009	2010
Natural Resources and Mining	0.2	0.1	0.1	0.2	0.2
Total Farm	46.5	48.1	48.9	45.1	46.0
Construction	23.2	21.1	17.9	13.7	12.0
Manufacturing	27.5	28.1	27.1	25.1	24.1
Wholesale Trade	13.2	13.5	12.9	11.9	11.5
Retail Trade	35.2	36.3	35.4	33.1	32.8
Transportation, Warehousing and Utilities	10.0	10.7	11.0	10.6	10.8
Information	4.2	4.2	4.7	4.1	3.4
Finance and Insurance	10.9	10.8	10.3	9.5	9.3
Real Estate and Rental and Leasing	4.6	4.5	4.5	4.3	4.0
Professional and Business Services	29.5	30.0	30.7	28.2	26.7
Educational and Health Services	37.5	38.9	40.1	40.2	40.7
Leisure and Hospitality	28.1	28.2	28.0	26.6	26.8
Other Services	10.9	11.0	10.6	10.2	10.0
Government	67.6	69.2	70.0	68.7	67.1
Total Wage and Salary Employment(1)(2)(3)	349.1	354.5	351.9	331.5	325.5
Civilian Labor Force(4)	411.4	419.2	430.2	434.5	440.1
Civilian Employment	378.5	383.4	385.1	369.4	366.0
Unemployment	33.0	35.9	45.1	65.1	74.1
Unemployment Rate	8.0%	8.6%	10.5%	15.0%	16.8%

Source: State of California Employment Development Department. March 2010 Benchmark.

(1) Totals may not equal sum of component parts due to rounding. All information updated per March 2010 Benchmark.
(2) The State Employment Development Department has reported a seasonally adjusted unemployment rate within the County of 14.7% for July 2012.
(3) Based on place of work.
(4) Based on place of residence.

Personal Income

The following Table 31 sets forth the per capita personal income for the County, the State and the United States of America from 2006 through 2011.

TABLE 31
PER CAPITA PERSONAL INCOME[1]
For Calendar Years 2006 through 2011

Year	County of Fresno	State of California	United States of America
2006	$29,111	$41,518	$37,725
2007	30,329	43,211	39,506
2008	30,977	44,003	40,947
2009	30,156	41,301	38,846
2010	30,905	42,514	39,937
2011	N/A[2]	44,481	41,663

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

(1) Per capital personal income was computed using Census Bureau midyear population estimates. Estimates reflect County and State population estimates available as of August 2012.
(2) Not available.

Commercial Activity

The following Table 32 sets forth taxable sales in the County for calendar years 2006 through 2008. In early 2007, the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System ("NAICS") codes. The California State Board of Equalization completed the process of converting business codes of sales and use tax permit holders to NAICS codes for 2009 data. As a result of the coding change process, industry data for 2007 and 2008 is not comparable with data from prior years. The following Table 33 reflects implementation of the NAICS codes and new industry categories.

TABLE 32
COUNTY OF FRESNO
TAXABLE SALES
2006 through 2008
($ in thousands)

Type of Business	2006 Annual	2007[1] Annual	2008[1] Annual
Apparel Stores	$ 336,112	$ 352,805	$ 346,690
General Merchandise	1,458,800	1,488,544	1,438,144
Specialty Stores[2]	976,537	--	--
Food Stores	645,977	626,272	588,893
Eating and Drinking Establishments	903,880	932,692	941,913
Home Furnishings / Appliances	306,821	284,990	300,073
Building Materials	925,034	780,790	576,858
Automotive[3]	2,732,438	1,870,690	1,417,983
Service Stations[3]	--	905,961	1,024,473
Other Retail Stores[2]	773,203	1,533,367	1,237,756
Business and Personal Services	409,878	428,013	377,141
All Other Outlets	3,091,969	3,104,133	3,479,246
Total All Outlets[4]	$12,560,649	$12,308,257	$11,729,171

Source: California State Board of Equalization, Taxable Sales in California

(1) In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable with data from prior years.
(2) In 2007 and 2008, industry data for Specialty Stores were included in Other Retail Stores.
(3) Prior to 2007, industry data for Service Stations were included in Automotive.
(4) Total may not equal sum of component parts due to rounding.

TABLE 33
COUNTY OF FRESNO
TAXABLE SALES
Calendar Years 2009 and 2010 and First Quarter 2011
($ in thousands)

Type of Business	2009 Annual	2010 Annual	2011 First Quarter
Retail and Food Services			
Motor Vehicle and Parts Dealers	$ 1,115,948	$ 1,142,537	$ 313,412
Furniture and Home Furnishings Stores	170,479	171,523	43,296
Electronics and Appliance Stores	184,453	183,908	45,162
Building Materials, Garden Equipment and Supplies	582,911	569,721	144,155
Food and Beverage Stores	575,885	585,024	137,416
Health and Personal Care Stores	181,736	187,743	47,705
Gasoline Stations	846,900	1,009,651	275,192
Clothing and Clothing Accessories Stores	399,631	412,759	96,349
Sporting Goods, Hobby, Book & Music Stores	216,240	218,468	55,683
General Merchandise Stores	1,196,947	1,209,618	279,431
Miscellaneous Store Retailers	314,749	320,283	77,822
Non-store Retailers	44,228	45,397	11,686
Food Services and Drinking Places	905,513	917,336	235,238
Total Retail and Food Services	$ 6,735,619	$ 6,973,970	$ 1,762,547
All Other Outlets	3,230,829	3,180,296	743,725
Total All Outlets[1]	$ 9,966,448	$ 10,154,265	$ 2,506,273

Source: California State Board of Equalization, Taxable Sales in California.

(1) Total may not equal sum of component parts due to rounding.

Construction Activity

The following Table 34 sets forth a summary of building permit valuations for the County for calendar years 2007 through 2011 and for calendar year 2012 through March 2012.

TABLE 34
COUNTY OF FRESNO
BUILDING PERMIT VALUATIONS[1]
2007 through March 2012
($ in thousands)

	2007	2008	2009	2010	2011	2012[2]
Valuations:						
Residential	$ 801,421	$480,942	$426,741	$461,121	N/A[3]	$72,901
Nonresidential	360,175	354,871	211,956	182,352	N/A[3]	70,003
Total	$1,161,596	$835,813	$638,697	$643,473	N/A[3]	$142,905
New Dwelling Units:						
Single Family	3,736	2352	2,258	2,027	924	246
Multiple Family	1,243	317	158	422	385	106
Total	4,979	2,669	2,416	2,449	1,309	352

Sources: Construction Industry Research Board (2007-2010), California Homebuilding Foundation (2011-2012).

(1) Amounts not adjusted for inflation. Amounts not seasonally adjusted.
(2) Building permit valuations from January 1, 2012 through March 31, 2012.
(3) Data not available.

Agricultural Production

The County's economy is based on agriculture, and the County for many years has led the nation in the value of annual agricultural production. The County's agricultural diversity is reflected by the fact that it is the number one County in dollar value of commercially produced crops in the State. Agriculture is a significant industry and a major employer in the County. Additional information regarding the State's agricultural production may be obtained on the California Department of Food and Agriculture's website, www.cdfa.ca.gov, which the County believes to be reliable; however, the County takes no responsibility as to the accuracy, completeness or fairness thereof and has not independently verified such information. Any information on such website is not incorporated herein by reference.

The City of Fresno is the major agri-business, crop processing and shipping center for the eight county San Joaquin Valley, which generally accounts for about one-half of California's total agricultural production. The following Table 35 sets forth the gross production value of agricultural products in the County from 1991 through 2010. The following Table 36 sets forth the gross production value by category of various agricultural products from 2006 through 2010.

TABLE 35
COUNTY OF FRESNO
GROSS PRODUCTION VALUE OF AGRICULTURAL PRODUCTS
1991 through 2010

Year	Total	Year	Total
1991	$2,552,305,040	2001	$3,220,101,800
1992	2,635,447,400	2002	3,440,927,000
1993	3,022,311,100	2003	4,073,338,500
1994	3,084,870,800	2004	4,603,936,200
1995	3,142,878,300	2005	4,641,194,200
1996	3,324,885,800	2006	4,845,737,100
1997	3,436,433,500	2007	5,347,398,000
1998	3,257,712,600	2008	5,627,909,000
1999	3,507,027,600	2009	5,347,381,000
2000	3,281,285,400	2010	5,944,758,000

Source: Fresno County Agricultural Commissioner.

TABLE 36
COUNTY OF FRESNO
GROSS PRODUCTION VALUE OF VARIOUS COMMODITIES
2006 through 2010
($ in thousands)

Crops	2006	2007	2008	2009	2010
Field	$ 437,460	$ 477,240	$ 505,093	$ 309,793	$ 376,760
Seed	25,162	25,009	36,066	43,926	50,957
Vegetable	1,215,574	1,293,100	1,223,840	1,464,826	1,528,285
Fruit & Nut	2,056,618	2,112,735	2,413,093	2,299,559	2,702,906
Nursery	31,110	39,576	34,255	46,210	37,478
Livestock and Poultry	728,005	843,401	903,385	829,558	801,042
Livestock and Poultry Products	318,128	515,700	474,228	313,172	408,989
Apiary	29,492	37,234	33,761	36,513	35,702
Industrial	4,188	3,403	4,188	3,824	2,639
Total	$4,845,737	$5,347,398	$5,627,909	$5,347,381	$5,944,758

Source: County of Fresno Agricultural Commissioner.

Transportation

Two major railroads, a modern system of highways and a growing airport complex have contributed to the industrial, commercial and residential growth of Fresno County. Santa Fe and Southern Pacific provide main line rail freight service to the area. Amtrak has passenger service daily. Fresno Yosemite International Airport in the City of Fresno provides regularly scheduled passenger and freight service to major metropolitan centers in the nation and Mexico. Fresno-Chandler Downtown Airport, also in the City of Fresno, can accommodate approximately 300 general aircraft with approximately 100 currently based at the facility.

Freeway 99 is a north-south artery that passes through the heart of Fresno County and the San Joaquin Valley, connecting many of the San Joaquin Valley's major cities. In January 2006, the California Department of Transportation began a widening project to convert Freeway 99 from a four-lane freeway to a six-lane freeway. The California Department of Transportation expects this project will increase the capacity and traffic flow of Freeway 99, reduce traffic congestion and provide an improved north-south route through the County. Interstate Highway 5 runs in a north-south direction through the western part of Fresno County and the San Joaquin Valley. Both Freeway 99 and Interstate Highway 5 are major north-south routes between the Cities of Los Angeles, San Francisco and Sacramento. Freeway 41, Freeways 168 and 180 serve the Fresno metropolitan area and connect it to the eastern and western parts of the County. The deep-water Port of Stockton is located 122 miles north of Fresno on Freeway 99. It is expected that the completed extension of Freeway 180 will have a significant impact on economic development within the western part of the County.

Port of Entry

The City of Fresno is an inland United States Port of Entry. At a port of entry, imported goods may be cleared locally by the Fresno Customs Director. This permits the importation of goods from foreign countries directly to the Fresno metropolitan area, permitting straight-through direct shipment from point of origin outside the United States to a final destination of Fresno.

Utilities

In the City of Fresno and throughout most of the County, electricity, natural gas, and telephone service are supplied by Pacific Gas and Electric Company and AT&T California. Southern California Edison Co. also provides utility service in parts of the County. Other utilities servicing various geographical areas of the County are Verizon, Ponderosa Telephone Company, Continental Telephone Company and Southern California Gas Company.

Education

The largest public education systems in the County are the Fresno Unified School District and the Clovis Unified School District. The Fresno County Superintendent of Schools also maintains special schools at various locations in the County. There are also a variety of private schools in the County.

Post-secondary public instruction is available at three community colleges, which offer both academic and vocational courses in a two-year curriculum. Fresno City College, the oldest two-year college in California, is administered by the State Center Community College District, which also oversees Reedley Community College. West Hills College in Coalinga is administered by the West Hills Community College District.

California State University, Fresno occupies a 1,410 acre campus in north Fresno. In addition, Fresno Pacific University is central California’s only private church-related senior college of the liberal arts and sciences. Undergraduate programs are offered in liberal arts, biblical and theological studies, teacher education, business administration, and community/social services. A Master’s program in Education is also offered. Other private institutions located in Fresno County are the Mennonite Brethren Biblical Seminary, San Joaquin College of Law, and Alliant International University.

Community Services and Recreation

There are a total of eleven general hospitals in the cities of Fresno, Clovis, Coalinga, Kingsburg, Sanger and Selma. Complete medical, surgical, pediatric, and special services are available in the metropolitan area.

The Fresno County Library System maintains a Central Resource Library in the City of Fresno and 34 branches in the County. The County System is supplemented by municipal libraries in various communities throughout the County.

The Fresno Bee is published daily and the Fresno Business Journal is published weekly in the City of Fresno. San Francisco and Los Angeles newspapers are available daily. There are numerous television and radio stations located in the Fresno area.

The City of Fresno operates 159-acre Roeding Park, which has the third largest zoo in California, and 300-acre Woodward Park. The City of Fresno operates three 18-hole golf courses, ten swimming pools, and a campground in the High Sierra. The County of Fresno has Kearney Park, adjacent to the City of Fresno, and operates recreational areas at Lost Lake and Avocado Lake in the Sierra foothills.

The Fresno Arts Center, Philharmonic Orchestra, Community Theater, Civic Ballet Opera Company and several museums contribute to the cultural and social attractiveness of the Fresno metropolitan area. California State University Fresno, Fresno City College, Kings River College, and West Hills College regularly schedule special events.

The City of Fresno, focal point of routes leading to recreational areas on the western slopes of the Sierra Nevada, is less than two hour's drive from three national parks – Yosemite, Kings Canyon and Sequoia – and from the John Muir Wilderness area, the largest wilderness area in California. Complete recreational facilities for boating, sailing, hunting, fishing, skiing, hiking, backpacking, camping and picnicking are available on the western slope of the Sierra Nevada. The foothills contain numerous lakes and reservoirs for water sports. Among these are Lake Millerton, Huntington Lake, Shaver Lake and the Pine Flat Reservoir. Snow skiing is available at Badger Pass, China Peak and Wolverton Ski Bowl, all within or adjacent to the County. The valley and foothill areas of the County offer golfing and game bird and deer hunting. The Fresno County Blossom Trail, which runs through several cities in the County including Kingsburg, Reedly and Sanger, provides tourists and residents the opportunity to view blossoming flowers on the various fruit orchards within the County.

The City of Fresno features various sports and recreational venues at Chukchansi Park Stadium and the Save Mart Center. Chukchansi Park Stadium is the home of the Fresno Grizzlies, a Triple A minor league affiliate of the San Francisco Giants, and provides for special events and concerts. Located in downtown Fresno, the stadium contains 12,500 seats. The Save Mart Center is a sports and entertainment complex and the home of the Fresno State Bulldogs basketball team. The center contains a 16,500 seat arena for basketball that can be expanded to 18,000 seats for special events.

Conventions and other special events are held at Selland Arena and Exhibit Hall. Selland Arena contains 11,300 seats and hosts many concerts and family shows. The arena was built in 1966 and has had more than ten million patrons attend its facilities. Exhibit Hall is a convention center that contains 67,000 square feet of uninterrupted exhibit space with an additional 16,000 square feet of available exhibit space in its first and second floor lobbies. The hall has hosted numerous events including tradeshows, conventions, conferences, political rallies, dinner banquets and wedding receptions.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

This Appendix B contains only a brief summary of certain of the terms of the principal legal documents with respect to the Series 2012A Bonds and a full review should be made of the entire Official Statement, including the cover page and the Appendices. All statements contained in this Appendix B are qualified in their entirety by reference to the entire Official Statement. Terms used herein but not defined herein shall be as defined in the Official Statement and in the respective document referenced. References to, and summaries of, provisions of the documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

DEFINITIONS

"Additional Bonds" means all lease revenue bonds and lease revenue refunding bonds of the Authority authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture.

"Additional Rental" means all amounts payable as rental under the Lease in addition to the Base Rental Payments, to the Authority or the Trustee as shall be required by Lease for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of this Lease or the assignment hereof pursuant to the Assignment Agreement, the Indenture or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the County under the Lease.

"Agreement" means the Joint Exercise of Powers Agreement, dated as of September 27, 1994, by and between the County and the Industrial Development Authority creating the Fresno County Financing Authority, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

"Asbestos Containing Materials" means material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (ricbeckite); (c) amosite (cummington-itegrinerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

"Assignment Agreement" means that certain Assignment Agreement, dated as of September 1, 2012, by and between the Authority and the Trustee, providing for the assignment by the Authority of certain rights contained in the Lease, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Annual Debt Service" means, for any Bond Year, the sum of (i) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are paid as scheduled and (ii) the principal amount of all Outstanding Serial Bonds, if any, maturing by their terms in such Bond Year.

"Authority" means the Fresno County Financing Authority, a joint powers authority created pursuant to a joint powers agreement, dated September 27, 1994, by and between the County and the Industrial Development Authority pursuant to California Government Code Sections 6500 et seq. and the Agreement.

"Base Rental Deposit Date" means the seventh (7th) Business Day preceding each August 1, commencing August 1, 2013.

"Base Rental Payments" means all amounts payable by the County as the Base Rental pursuant to the Lease.

"Beneficial Owner" means any person who has the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Bonds" means the Series 2012A Bonds and all Additional Bonds.

"Business Day" means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in California are required or authorized to remain closed, or on which the New York Stock Exchange is closed.

"Certificate of the Authority" means an instrument in writing signed by the Chairperson, the Vice Chairperson, the Treasurer or the Secretary of the Authority, the County Administrative Officer acting as a representative of the Authority, or by any other officer or authorized delegate of the Authority duly authorized by the Authority for that purpose.

"Certificate of the County" means an instrument in writing signed by the County Administrative Officer, or by any other officer of the County duly authorized by the County for that purpose.

"Closing Date" means the date of delivery of the Series 2012A Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate of the County, dated as of September 1, 2012, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporate Trust Office of the Trustee" means the principal corporate trust office of the Trustee in Los Angeles, California or such other or additional offices as may be specified to the Authority by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the County or the Authority relating to the delivery of the Bonds, including but not limited to filing and recording and related costs relating to the sale of the Bonds, settlement costs, printing costs, reproduction and binding costs, financing discounts, initial fees and charges of the Trustee (as Trustee under the Indenture), legal fees and charges, financing and other professional consultant fees, rating agency fees for credit ratings, fees for the Trustee's execution, transportation and safekeeping of Bonds, and other charges and fees in connection with the foregoing.

"County" means the County of Fresno, a political subdivision of the State duly organized and existing under and by virtue of the Constitution and the laws of the State.

"Defeasance Obligations" means, unless otherwise approved by the Insurer: (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof.

"EMMA System" means the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board, and any successor and assignee thereof.

"Environmental Regulations" means all Laws and Regulations, as defined in the Lease, now or hereafter in effect, with respect to Hazardous Materials, as defined in, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

"Fiscal Year" means each annual period of the Authority which, as of the date of the Indenture, is the period from July 1 to the following June 30.

"Hazardous Materials" shall have the meaning provided in the Lease.

"Laws and Regulations" shall have the meaning provided in the Lease.

"Indenture" means the Indenture, dated as of September 1, 2012, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions of the Indenture.

"Insurance Consultant" means the County's Risk Manager, or an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

"Industrial Development Authority" means the Industrial Development and Finance Authority of the County of Fresno, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State.

"Insurance Policy" means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Series 2012A Bonds when due.

"Insured Series 2012A Bonds" means the Series 2012A Bonds maturing on August 1 of each year commencing August 1, 2017.

"Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Interest Payment Date" means each August 1 and February 1 commencing February 1, 2013.

"Lease" means the Lease, dated as of September 1, 2012, by and between the Authority and the County, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms of the Lease.

"Lease Year" means the period from each August 1 to and including the following July 31, during the term of the Lease; except that the initial Lease Year means the period from the day of delivery to and including July 31, 2013.

"Leased Property" means that certain personal and real property, which is then the subject of the Site Lease comprising those parcels described in the Lease (as the same may be changed from time to time by Removal or Substitution as provided in the Lease).

"Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

"Net Proceeds" means, collectively, the net proceeds of any insurance or condemnation award resulting from any damage, destruction, defective title or condemnation of any portion of the Leased Property payable in accordance with the Lease.

"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.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant to the Indenture including, but not limited to, the Series 2012A Bonds as described in the Indenture, except:

(1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid as provided in the Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds has been executed by the Authority and authenticated and delivered pursuant to the Indenture.

"Owner" means the registered owner of any Outstanding Bond.

"Participant" means, for purposes of the Indenture, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Lease, permit to remain unpaid; (ii) the Site Lease; (iii) the Lease and the Assignment Agreement, as they may be amended from time to time; (iv) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, which exist of record as of the Closing Date; and (vi) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease and to which the Authority, the County and the Insurer consent in writing.

"Permitted Investments" means any of the following to the extent then permitted by law and the Indenture:

1. Direct 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) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

    a. Farmers Home Administration (FmHA) certificates of beneficial ownership;

    b. Federal Housing Administration debentures (FHA);

    c. General Services Administration participation certificates;

    d. Government National Mortgage Association (GNMA or "Ginnie Mae") GNMA-guaranteed mortgage-backed bonds and GNMA-guaranteed pass-through obligations (participation certificates);

    e. U.S. Maritime Administration guaranteed Title XI financing; and

    f. U.S. Department of Housing and Urban Development (HUD) project notes and local authority bonds.

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

    a. Federal Home Loan Bank System senior debt obligations (consolidated debt obligations);

    b. Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") Participation Certificates (Mortgage-backed securities) and senior debt obligations;

    c. Federal National Mortgage Association ("FNMA" or "Fannie Mae") Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities that are valued greater than par on the portion of unpaid principal.);

d. Student Loan Marketing Association ("SLMA" or "Sallie Mae") senior debt obligations;

e. Resolution Funding Corp. ("REFCORP"): Only the interest component of REFCORP strips that have been stripped by request to the Federal Reserve Bank of New York in book-entry form are acceptable; and

f. Farm Credit System consolidated system-wide bonds and notes.

4. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAAm," or "AA-m" and if rated by Moody's, "Aaa," "Aa1," or "Aa2," including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

5. Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Certificates of deposit must have a five year or less maturity. Such certificates must be issued by commercial banks, including the Trustee and its affiliates, savings and loan associations or mutual savings banks whose short term obligations are rated "A-1"+ or better by S&P and "Prime-1" by Moody's.

   The collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by Federal Deposit Insurance Corporation, including Bank Insurance Fund and Savings Association Insurance Fund including those of the Trustee or its affiliates.

7. Investment agreements, including guaranteed investment contracts, approved by the rating agencies then rating the Bonds.

8. Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1+" or better by S&P.

9. Bonds or notes issued by any state or municipality that are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

10. Federal funds, bank deposits or bankers' acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and non-guaranteed obligation rating of "Prime-1" or "A3 " or better by Moody's and "A-1+" by S&P including those of the Trustee and its affiliates.

11. Repurchase agreements, acceptable to the Insurer, that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

Repurchase Agreements (each a "repo" and, collectively, "repos") must satisfy the following criteria:

a. Repos must be between the Trustee and the following dealers or banks:

(1) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the Securities Investor Protection Corporation and that are rated A or better by S&P and Moody's, or

(2) Banks rated "A" or above by S&P and Moody's.

b. The written repo contract must include the following:

(1) Securities that are acceptable for transfer are:

(a) Direct U.S. governments, and

(b) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

(2) The term of the repo may be up to 30 days

(3) The collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(4) The Trustee has a perfected first priority security interest in the collateral.

(5) Collateral is free and clear of third-party liens and in the case of SIPC brokers, was not acquired pursuant to a repo or reverse repo.

(6) Failure to maintain the requisite collateral percentage, after a two (2) Business Day restoration period, will require the Trustee to liquidate collateral.

(7) Valuation of Collateral is determined as follows:

(a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(b) The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

c. A legal opinion of the provider's counsel must be delivered to the Trustee and the Insurer in form and substance acceptable to the Insurer that the Repo meets guidelines under State law for legal investment of public funds.

12. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is rated only by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA" rated pre-refunded municipals to satisfy this condition.

13. The County of Fresno Investment Pool.

Any references to long-term rating categories in this definition will not take into account any plus or minus sign or numerical modifiers.

"Prior Bonds" shall mean, collectively, the Authority's Lease Revenue Bonds, Series 2004 (Juvenile Justice Campus) issued in the principal amount of $26,000,000, and the Authority's Lease Revenue Bonds, Series 2004 B (Energy Savings Projects) issued in the principal amount of $14,375,000.

"Prior Trustee" shall mean The Bank of New York Mellon Trust Company, N.A., as successor in interest to BNY Western Trust Company, as trustee for the Prior Bonds.

"Project" means the real property and capital improvements and equipment heretofore acquired, delivered, installed, equipped, or constructed with proceeds of the Prior Bonds made available to the County and all additions, betterments, extensions and improvements thereto, including but not limited to certain juvenile justice campus facilities and certain energy savings projects of the County.

"Rating Agency" means S&P, or in the event that S&P no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as S&P or other nationally recognized rating agency then maintains a rating on the Bonds.

"Rebate Requirement" with respect to a series of Bonds has the meaning set forth in the applicable Tax Certificate.

"Record Date" means the 15th day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

"Removal" means the release of all or a portion of the Leased Property from the leasehold of the Lease as provided in the Lease.

"Reserve Fund Credit Facility" means a letter of credit, line of credit, surety bond, insurance policy or similar facility acceptable to the Insurer and deposited in the Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein. The initial Reserve Fund Credit Facility will be the Reserve Policy.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Insurer.

"Reserve Requirement" means, as of any date of calculation, the least of (1) 10% of the original principal amount of the Bonds; (2) Maximum Annual Debt Service for the current or any future Bond Year; or (3) 125% of average Annual Debt Service.

"Revenues" means all Base Rental Payments pursuant to the Lease and interest or profits from the investment of money in any fund, account or subaccount (other than the Rebate Fund) pursuant to the Indenture.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

"Series 2012A Bonds" means the $[Principal Amount] principal amount Fresno County Lease Revenue Refunding Bonds, Series 2012A authorized by and at any time Outstanding pursuant to the Indenture and issued, executed and delivered in accordance with the Indenture.

"Site Lease" means that certain Site Lease, dated as of September 1, 2012, by and between the County and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"S&P" means Standard & Poor's, a Division of the McGraw-Hill Companies Inc., its successors and assigns.

"State" means the State of California.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Lease, and the lease of substituted real property and improvements under the Lease as provided in the Lease.

"Supplemental Indenture" means any indenture then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of the Indenture or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means the Tax Certificate delivered by the Authority and the County at the time of the issuance and delivery of a series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association duly authorized and existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in its place as provided in the Indenture.

"Uninsured Series 2012A Bonds" means the Series 2012A Bonds maturing on August 1 of each year commencing August 1, 2013 to and including August 1, 2016.

"Verification Agent" means an independent certified public accountant or firm of certified public accountants licensed to practice in the State and of favorable national reputation experienced in the refunding of obligations of political subdivisions.

"Written Request of the Authority" means a request in writing signed by the Chairperson, the Vice Chairperson, the Treasurer or the Secretary of the Authority, the County Administrative Officer as a representative of the Authority, or by any other officer or authorized delegate of the Authority duly authorized by the Authority for that purpose.

"Written Request of the County" means a request in writing signed by the County Administrative Officer, or by any other officer of the County duly authorized by the County for that purpose.

THE INDENTURE

Establishment of Certain Funds

The Trustee will establish the following special trust funds, which the Trustee agrees to maintain and keep separate and apart from all other funds and moneys held by the Trustee so long as the Series 2012A Bonds are Outstanding: (i) the "Fresno County Financing Authority Lease Revenue Refunding Bonds, Series 2012A Bond Fund" (the "Bond Fund") and (ii) the "Fresno County Financing Authority Lease Revenue Refunding Bonds, Series 2012A Costs of Issuance Fund" (the "Costs of Issuance Fund"). Incident to the issuance of Additional Bonds, the Supplemental Indenture may provide for the creation of additional special trust funds to be maintained by the County or the Trustee.

So long as any of the Series 2012A Bonds, or any interest thereon, remain unpaid, the moneys in the foregoing funds will be used for no purpose other than those required or permitted by the Indenture.

Costs of Issuance Fund

The Trustee will hold the moneys in the Costs of Issuance Fund and will disburse such moneys from time to time to pay Costs of Issuance. The Trustee will disburse moneys in the Costs of Issuance Fund from time to time upon receipt by the Trustee of a Written Request of the County or Authority substantially in the form of Exhibit B to the Indenture, which is incorporated in the Indenture by reference thereto, which may be sent to the Trustee by facsimile, that: (1) states with respect to each disbursement to be made: (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be disbursed, and (iv) that each obligation therein has been properly incurred, and is a proper charge against the Costs of Issuance Fund and has not been the basis of any previous disbursement; (2) specifies in reasonable detail the nature of the obligation; and (c) is accompanied by a bill or statement of account for each obligation.

Upon the earlier of the date one year after the Closing Date or the date of receipt of a Certificate of the County stating that all Costs of Issuance have been paid, the Trustee will transfer any amounts then remaining in the Costs of Issuance Fund to the Reserve Account to the extent amounts in the Reserve Account have been withdrawn to pay debt service on the Bonds and any amount remaining thereafter in the Costs of Issuance Fund will be transferred to the Interest Account; *provided* that investment earnings or equivalent amount may be transferred from Interest Account to the Rebate Fund as provided in the Indenture.

Pledge of Revenues

All Revenues and amounts on deposit in the funds, accounts and subaccounts established under the Indenture (other than amounts on deposit in the Rebate Fund created pursuant to the Indenture) are, pursuant to the Indenture, irrevocably pledged to the payment of the interest on and principal of the

Bonds as provided in the Indenture, and the Revenues will not be used for any other purpose while any of the Bonds remain Outstanding; *provided, however*, that out of the Revenues there may be allocated such sums for such purposes as are expressly permitted by the Indenture.

The Trustee will be entitled to and will receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and will forthwith be paid by the Authority to the Trustee.

Receipt and Deposit of Revenues in the Bond Fund

In order to carry out and effectuate the pledge contained in the Indenture, the Trustee agrees and covenants that all Revenues when and as received will be received in trust under the Indenture for the benefit of the Owners and the Insurer and will be deposited when and as received in the Bond Fund. All Revenues will be accounted for through and held in trust in the Bond Fund, and the Authority has no beneficial right or interest in any of the Revenues except only as in the Indenture provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as provided in the Indenture, will nevertheless be allocated, applied and disbursed solely to the purposes and uses set forth in the Indenture, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Establishment and Maintenance of Accounts for Use of Money in the Bond Fund

Subject to the applicable provisions of the Indenture, all money in the Bond Fund will be set aside by the Trustee in the following respective special accounts within the Bond Fund (each of which is, pursuant to the Indenture, created and each of which the Trustee, pursuant to the Indenture, covenants and agrees to maintain) in the following order of priority: (i) Interest Account; (ii) Principal Account; (iii) Reserve Account; and (iv) Redemption Account.

All money in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes authorized in the Indenture.

Interest Account

On or before each Interest Payment Date, the Trustee will set aside from the Bond Fund and deposit in the Interest Account that amount of money which, together with any money contained in the Interest Account, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained in the Interest Account is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such interest payment date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account

On or before August 1 of each year, beginning on August 1, 2013, the Trustee will set aside from the Bond Fund and deposit in the Principal Account an amount of money equal to the aggregate principal amount of all Outstanding Serial Bonds maturing on such August 1,. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such August 1. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they becomes due and payable.

Reserve Account

All amounts deposited into the Reserve Account will be used only for the purposes set forth in the Indenture while any of the Bonds remain Outstanding and are, pursuant to the Indenture, irrevocably pledged to the payment of the interest, principal and redemption premiums, if any, with respect to the Bonds. On the Closing Date, there will be deposited into the Reserve Account the Reserve Policy. This deposit and any future Reserve Fund Credit Facility or moneys subsequently deposited in the Reserve Account will be held in trust as a reserve for the payment when due of all the Base Rental Payments and prepayments of such Base Rental Payments to be paid pursuant to the Lease and of all payments on the Series 2012A Bonds. If the Reserve Account contains both a Reserve Fund Credit Facility and cash, any cash on deposit will be drawn completely before any demand is made on the Reserve Fund Credit Facility.

On or before August 1 of each year, beginning on August 1, 2013, the Trustee will set aside from the Bond Fund and deposit in the Reserve Account that amount of money equal to the Reserve Requirement which will be required to be maintained in the Reserve Account or such larger amount as will be required to be maintained in the Reserve Account by any Supplemental Indenture. No deposit need be made in the Reserve Account so long as there will be on deposit therein a sum equal to at least the amount required by this paragraph to be on deposit therein.

All amounts in the Reserve Account will be used and withdrawn by the Trustee for the sole purpose of replenishing the Interest Account or the Principal Account in such order, in the event of any deficiency at any time in either of such accounts, or for the purposes of paying the interest, principal or redemption premiums, if any, on the Series 2012A Bonds and any Additional Bonds in the event that no other money of the Authority is lawfully available therefor, or for the retirement of all the Series 2012A Bonds and any Additional Bonds then Outstanding so long as the Authority is not in default under the Indenture. In the event of any withdrawal or transfer from the Reserve Account, the Trustee will, within five days thereafter, provide written notice to the County, the Authority and the Insurer of the amount and the date of such transfer. All interest income received by the Trustee on investment of moneys in the Reserve Account will be transferred to the Rebate Fund to the extent required pursuant to the Indenture, as set forth in a Written Request of the Authority or the County to the Trustee, and thereafter to the Interest Account. The Trustee will retain such interest income in the Reserve Account to the extent that amounts therein have been transferred in accordance with this paragraph (ii) to make up a deficiency in the Interest Account or the Principal Account. Amounts in the Reserve Account in excess of the Reserve Requirement as of a Base Rental Payment Date may be transferred to the Interest Account and to the Principal Account on such Base Rental Payment Date and applied as a credit for Base Rental Payments then due to be paid by the County.

At any time that amounts in the Reserve Account are to be withdrawn pursuant to the Indenture, the Trustee will withdraw such amounts from the subaccounts established therein, if any, as specified in a Written Request of the County. In the absence of such Written Request of the County, the Trustee will withdraw amounts in each such subaccount, if any, on a *pro rata* basis.

Notwithstanding anything in the Indenture to the contrary, at the option of the Authority or the County, amounts required to be held in the Reserve Account may be withdrawn, in whole or in part, upon the deposit of a Credit Facility with the Trustee, in a stated amount equal to the amounts so withdrawn; *provided* that at the time of such deposit the unsecured obligations of the Credit Facility are rated not lower than "Aa/AA" by the Rating Agency and that prior to the deposit of such Credit Facility, the Rating Agency will be notified of such proposed withdrawal and the deposit of such Credit Facility will not result in a withdrawal or downgrading of any rating of the Bonds then in effect by the Rating Agency. Any such withdrawn moneys will be transferred to the Interest Account or Principal Account, at the option of the Authority or the County.

The prior written consent of the Insurer will be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Account will be applied solely to the payment of debt service due on the Bonds.

At the option of the Authority with the prior written consent of the Insurer, a substitute Reserve Fund Credit Facility may be substituted for the Reserve Policy or any funds held in the Reserve Account, such that the amount available to be drawn under such Reserve Fund Credit Facility, together with any moneys in the Reserve Account, satisfy the Reserve Requirement.

If the Authority, exercises its option to substitute a Reserve Fund Credit Facility for the Reserve Policy or all or a portion of the moneys, if any, held in the Reserve Account, then such moneys, on or after the date that the Reserve Fund Credit Facility becomes effective and is deposited with the Trustee, at the option of the Authority, will be transferred to the Bond Fund and on each Base Rental Payment Date will be applied in lieu of Base Rental Payments due immediately prior to such Base Rental Payment Date. The Authority may not invest such amounts transferred so as to produce a yield greater than the yield permitted under the Tax Certificate. In the event the Reserve Fund Credit Facility is scheduled to terminate prior to the final maturity date of the Series 2012A Bonds and such Reserve Fund Credit Facility is not extended, renewed or replaced with another Reserve Fund Credit Facility or with cash or Permitted Investments in the amount of such Reserve Fund Credit Facility, the Trustee will draw on or make a claim under the Reserve Fund Credit Facility (provided that the Trustee has the right to make such draw or claim under the terms of the Reserve Fund Credit Facility) ten days prior to the date of such expiration in an amount equal to the lesser of (i) the maximum amount available thereunder or (ii) the Reserve Requirement of the County in either case for deposit into the Reserve Account.

If a Reserve Fund Credit Facility is substituted for the Reserve Policy or all or a portion of the moneys, if any, held in the Reserve Account pursuant to the terms of the Indenture, then, notwithstanding any other provision hereof, the Trustee shall draw upon such substitute Reserve Fund Credit Facility in accordance with the Indenture and the pledge of amounts in the Reserve Account to the payment of the interest, principal and redemption premiums, if any, with respect to the Bonds contained herein. Any amounts required by the Indenture to be deposited or transferred to the Reserve Account shall (y) in the event the Reserve Fund Credit Facility has been drawn upon, be paid to the provider of such Reserve Fund Credit Facility if the Authority has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount then available under the Reserve Fund Credit Facility equal to such payment in accordance with the Indenture, or (z) in the event the County has not drawn upon the Reserve Fund Credit Facility or does not have an outstanding reimbursement obligation to the provider of such Reserve Fund Credit Facility, be transferred or deposited pursuant to the terms of the Indenture as if no deposit or transfer to the Reserve Account were required.

Redemption Account

In addition to the above accounts, the Trustee will establish and maintain within the Bond Fund, when required, a special account designated the "Redemption Account." All money in the

Redemption Account will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes authorized in this section. Any Net Proceeds which, in accordance with a Written Request of the County or the Authority delivered to the Trustee, and all other amounts received by the Trustee in connection with the redemption of the Bonds pursuant to the Indenture are to be used to redeem Bonds, will be deposited by the Trustee in the Redemption Account. The Trustee will, on the scheduled redemption date, withdraw from the Redemption Account and pay to the Owners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed on such date.

Any delinquent Base Rental Payments and any proceeds of rental interruption insurance or coverage program with respect to the Real Property encumbered by the Lease will be applied first to the Interest Account for the immediate payment of interest payments past due and then to the Principal Account for immediate payment of principal payments past due according to the tenor of any Bond, and then to the Reserve Account to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. Any remaining money representing delinquent Base Rental Payments and any proceeds of rental interruption insurance will be deposited in the Bond Fund to be applied in the manner provided in the Indenture.

Investment of Moneys in Funds and Accounts

Moneys in the Bond Fund, the Costs of Issuance Fund and any accounts and subaccounts therein will, upon the Written Request of the County or the Authority on the same or next Business Day of the investment, be invested by the Trustee in Permitted Investments. The Trustee is entitled to rely upon any investment directions from the County as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California. The obligations in which moneys in the said funds, accounts and subaccounts are invested will mature on or prior to the date on which such moneys are estimated to be required to be paid out under the Indenture. The obligations in which moneys in the Reserve Account are so invested will be invested in obligations maturing no later than seven years in the case of the Outstanding Series 2012A Bonds and any Additional Bonds (unless a different maturity is specified in the related Supplemental Indenture) after the date of investment; provided however, that obligations in the Reserve Account may mature at a date which is more than the specified maximum if the Authority or the Authority and the County has entered into an agreement with a corporation, partnership or other business enterprise, having unsecured long-term credit ratings provided by the Rating Agency, which at the time are “Aa” or higher as provided by Moody’s, if then rating the Bonds, and “AA” as provided by S&P, if then rating the Bonds, under which the provider of the agreement will agree to purchase, at the amortized cost thereof to the Authority, such obligations in the event that obligations in the Reserve Account must be sold to pay principal of or interest on Bonds including Bonds that are redeemed in accordance with the Indenture or in the case of Additional Bonds in accordance with any redemption from Net Proceeds. Any interest, income or profits from the deposits or investments of all funds, accounts and subaccounts under the Indenture (except the Rebate Fund and the Reserve Account to the extent required to be maintained therein or transferred pursuant to the Indenture) will be deposited, first to the Reserve Account to the extent required to maintain the Reserve Requirement, and thereafter to the Interest Account. For purposes of determining the amount of deposit in any fund, account or subaccount held under the Indenture, all Permitted Investments credited to such fund or account will be valued, on or about August 1 each year that Bonds are Outstanding, at the cost thereof (adjusting for any amortized premium or discount to maturity).

Except as otherwise provided in the Indenture, Permitted Investments representing an investment of moneys attributable to any fund, account or subaccount and all investment profits or losses thereon will be deemed at all times to be a part of said fund, account or subaccount. The Trustee will maintain records with respect to each investment, including: (i) purchase date, (ii) purchase price, (iii) any accrued interest paid, (iv) face amount, (v) coupon rate, (vi) periodicity of interest payments, (vii) disposition price, (viii) any accrued interest received, and (ix) disposition date. The Trustee will furnish the Authority and the County periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture, no less frequently than monthly. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture. The Trustee may act as principal or agent in the acquisition or disposition of investments, and may commingle the funds, accounts and subaccounts established under the Indenture for investment purposes, subject to any restrictions relating thereto in the Tax Certificate. The Trustee has no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of the Indenture. The Authority (and the County by its execution of the Lease Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Authority and/or the County the right to receive brokerage confirmations of security transactions as they occur, the Authority and the County specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority and the County periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Punctual Payment and Performance

The Authority will punctually pay the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued under the Indenture in strict conformity with the terms of the Indenture and of the Bonds, and will faithfully observe and perform all the agreements and covenants contained in the Indenture and in the Bonds.

Against Encumbrances

So long as the Bonds are Outstanding, the Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Indenture and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds and any Additional Bonds.

Against Sale or Other Disposition of the Leased Property

Except as provided in the Lease, the Authority will not sell or otherwise dispose of the Leased Property, enter into any agreement which impairs the use of the Leased Property or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of and redemption premiums, if any, with respect to the Bonds, or which would otherwise impair the rights of the Insurer or the Owners with respect to the Revenues.

Tax Covenants; Rebate Fund

In addition to the other funds and accounts created pursuant to the Indenture, the Trustee will establish and maintain a fund separate from any other fund or account established and maintained under the Indenture designated the "Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Trustee will maintain such accounts or subaccounts as are specified in a Written Request of the County or the Authority to the Trustee pursuant to the Tax Certificate. The Trustee will deposit moneys in the Rebate Fund pursuant to a Written Request of the County or the Authority. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and none of the County, the Authority, the Trustee or the Owner of any Bond has any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Indenture and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee will be deemed conclusively to have complied with the provisions of the Indenture and the Tax Certificate if it follows the Written Request of the County or the Authority, including supplying all necessary information in the manner provided in the Tax Certificate, and except as otherwise expressly provided in the Indenture, will not be required to take any actions under the Indenture in the absence of written directions by the County or the Authority, and has no liability or responsibility to enforce compliance by the County or the Authority with the terms of the Tax Certificate or the Indenture. The Trustee agrees to comply with all Written Requests of the County or the Authority given pursuant to the Tax Certificate to the extent the same are consistent with the provisions of the Indenture.

Upon a Written Request of the County or the Authority, an amount will be deposited into the Rebate Fund by the Trustee from deposits by the County or the Authority, if and to the extent required, so that the balance of the amount on deposit thereto will be equal to the Rebate Requirement. Computations of the Rebate Requirement will be furnished by or on behalf of the County or the Authority in accordance with the Tax Certificate. The County will provide the Trustee with written evidence that the computation of the Rebate Requirement has been made. The Trustee may rely conclusively upon the County's determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation or determination or to review the County's calculations hereunder.

The Trustee has no obligation to rebate any amounts required to be rebated pursuant to the Indenture, other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by the County or the Authority.

The Trustee will invest all amounts held in the Rebate Fund in Permitted Investments as directed by a Written Request of the County or the Authority. Money, including investment earnings, will not be transferred from the Rebate Fund except as provided in paragraph (e) below.

Upon receipt of a Written Request of the County or the Authority, the Trustee will remit part or all of the amounts in the Rebate Fund to the United States of America, as so directed. In addition, if the County or the Authority so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Written Request of the County or the Authority. Any funds remaining in the Rebate Fund in excess of the Rebate Requirement as of the end of any Bond Year will be transferred to the Interest Account of the Bond Fund.

Notwithstanding any other provision of the Indenture, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of the Indenture and the Tax Certificate will survive the defeasance or payment in full of the Bonds.

The Authority will not use or permit the use of any proceeds of the Bonds and any Additional Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and will not take or permit to be taken any other action or actions, which would cause the Bonds or any Additional Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or obligations subject to federal income taxation because they are "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder. The Authority will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority will comply with all requirements of Sections 148 and 149 of the Code to the extent applicable to the Series 2012A Bonds.

The Authority covenants to comply with the provisions and procedures of the Tax Certificate.

The Authority will not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, and will not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Notwithstanding any provisions of the Indenture, if the Authority will provide to the Trustee an Opinion of Counsel to the effect that any specified action or prohibition required under the Indenture is no longer required or applies or that some further or different action or prohibition is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Series 2012A Bonds, the Trustee, the Authority and the County may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants under the Indenture will be deemed to be modified to that extent.

Payment of Claims

The Authority will pay and discharge or cause to be paid and discharged any and all lawful claims for labor, materials or supplies which, if unpaid, might become a legal charge or lien upon the Leased Property or the Revenues or any part thereof or upon any funds under the control of the Authority or the Trustee superior to or on a parity with the charge and lien upon the Revenues securing the Bonds, or which might impair the security of the Bonds.

Payment of Taxes and Compliance with Governmental Regulations

The Authority will pay and discharge or cause to be paid and discharged all applicable taxes, assessments and other governmental charges that may be levied, assessed or charged upon the Leased Property or any part thereof or upon the Revenues or any part thereof promptly as and when the same becomes due and payable. The Authority will duly observe and conform with all valid applicable regulations and requirements of any governmental authority relative to the use of the Leased Property or any part thereof, but the Authority will not be required to comply with any such regulations or requirements so long as the application or the validity thereof will be contested in good faith.

Insurance

The Authority will maintain or cause to be maintained insurance or coverage program with respect to the Leased Property as required by the Lease.

Insurance Proceeds and Condemnation Awards; Title Insurance

The Trustee will receive all moneys which may become due and payable under any insurance policies or coverage program obtained pursuant to the Lease and pursuant to any condemnation awards in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund," and will apply the proceeds of such insurance as provided in the Lease without the further prior written consent of the Insurer. The Trustee will permit withdrawals of said proceeds from time to time upon receiving the Written Request of the County, stating that the County or the Authority has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement of the Project, and specifying the items for which such moneys were expended, or such liabilities were incurred, in such reasonable detail as the Trustee may in its discretion require.

The Trustee will not be responsible for the sufficiency of any insurance required by the Lease and will be fully protected in accepting payment on account of such insurance or coverage program or any adjustment, compromise or settlement of any loss agreed to by the County. Delivery to the Trustee of the schedule of insurance policies or coverage program under the Lease will not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. The Trustee may request, in writing, that the County deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy or coverage program described in the schedule required to be delivered by the County to the Trustee pursuant to the Lease.

Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Property will be applied and disbursed by the Trustee as follows:

If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Base Rental Payments and Additional Rental payable by the County under the Lease, such proceeds will at the election of the County as set forth in a Written Request of the County, be deposited in the Redemption Account and such proceeds will be applied to cause the redemption of Outstanding Bonds in the manner provided in the Indenture or utilized to improve or enhance the remaining Leased Property; or

(i) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Base Rental Payments and Additional Rental payable by the County under the Lease, then the Trustee will immediately deposit such proceeds in the Redemption Account and such proceeds will be applied to cause the redemption of Outstanding Bonds in the manner provided in the Indenture.

Accounting Records and Reports

The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books will be available for inspection by the Trustee, at reasonable hours and under reasonable conditions. Not more than seven months after the close of each Fiscal Year, the Authority will furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Authority will also keep or cause to be kept such other information as is required under the Tax Certificate. The Trustee will not be responsible for reviewing such financial statements.

Lease and Other Documents

The Authority will at all times maintain and vigorously enforce all of its rights under the Lease, and will promptly collect all rents and charges due for the use of the Leased Property as the same become due under the Lease, and will promptly and vigorously enforce its rights against any tenant or other person who does not pay such rents or charges as they become due under the Lease. The Authority will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation, abatement or termination of the Lease by the lessee thereunder.

Other Liens

The Authority will keep the Leased Property free from judgments, mechanics' and materialmen's liens (except those arising from the acquisition, construction and installation of the Leased Property) and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided in the Indenture will at all times be maintained and preserved free from any claim or liability which, in the judgment of the Trustee (and its determination thereof will be final), would hamper the Authority in conducting its business or interfere with the County's use and occupancy of the Leased Property, and the Trustee at its option (after first giving the Authority ten (10) days' written notice to comply therewith and failure of the Authority to so comply within such period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; *provided, however*, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee will not in any event be deemed to have waived or released the Authority from liability for or on account of any of the Authority's agreements and covenants contained in the Indenture, or from the Authority's liability under the Indenture to defend the validity of the Indenture and the pledge of the Revenues made in the Indenture and to perform such agreements and covenants.

Prosecution and Defense of Suits

The Authority will promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or developing after the Indenture, and will prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and will indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees, which it may incur by reason of any such defect, cloud, suit, action or proceeding except for those caused by the Trustee's negligence or willful misconduct.

The Authority will defend against every suit, action or proceeding except those arising out of the wrongful, negligent, willful acts or omissions of the Trustee at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee under the Indenture.

Further Assurances

Whenever and so often as requested to do so by the Trustee or the Insurer, the Authority will 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 for more fully and certainly vesting in and confirming to the Owners and the Insurer all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them, pursuant to the Indenture.

Continuing Disclosure

Pursuant to the Lease, the County has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority has no liability to the Owners, the Insurer or any other person with respect to Rule 15c2-12 of the Securities and Exchange Commission. The County, pursuant to the Indenture, covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate and the Lease. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Certificate will not be considered an Event of Default, and the rights and remedies provided by the Indenture upon the occurrence of an Event of Default will not apply to any such failure, but the Continuing Disclosure Certificate may be enforced only as provided therein.

Duties, Immunities and Liabilities of Trustee

The Trustee will, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and the Lease and no implied duties or obligations will be read into the Indenture against the Trustee. The Trustee will, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, 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 his own affairs.

So long as no Event of Default has occurred and is continuing, the Authority may remove the Trustee at any time and will remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Insurer or if at any time the Trustee will cease to be eligible in accordance with subsection (e) of this section, or becomes incapable of acting, or will commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property will be appointed, or any public officer will take control or charge of the Trustee or 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, and thereupon will appoint a successor Trustee by an instrument in writing.

The Trustee may resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail, first class postage prepaid, to the Insurer and the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Authority, or the Insurer (on behalf of the Insurer and the 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 Indenture will signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, will 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 Indenture; but, nevertheless, at the written request of the Authority or of the successor Trustee, such predecessor Trustee will 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 Indenture and will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon request of the successor Trustee, the Authority will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee will mail a notice of the succession of such Trustee to the trusts under the Indenture by first class mail, postage prepaid, to the Insurer and the Owners at their addresses listed in the bond register.

Any Trustee appointed under the provisions of this section will be a trust company, corporation, national banking association, or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least seventy-five million dollars ($75,000,000), and subject to supervision or examination by federal or state authority. If such bank, corporation, 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 authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, corporation, national banking association, or trust company will 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 will cease to be eligible in accordance with the provisions of this subsection (e), the Trustee will resign immediately in the manner and with the effect specified in this section.

No provision in the Indenture will require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture.

The Trustee will not be responsible for the sufficiency, timeliness or enforceability of the Revenues.

The Trustee will notify the Insurer of any failure of the County or the Authority to provide notices, certificates and other information under the transaction documents.

Merger or Consolidation

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business provided such company will be eligible under as provided in the Indenture will succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Compensation and Indemnification

The Authority will pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered under the Indenture and will reimburse the Trustee for reasonable expenses, including attorney's fees, incurred by the Trustee in the performance of its obligations under the Indenture.

The Authority agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability or expense, including reasonable legal fees and expenses, incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by the Indenture, including performance of their duties under the Indenture, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties under the Indenture. Such compensation and indemnity will survive the termination or discharge of the Indenture and resignation or removal of the Trustee.

Liability of Trustee

The recitals of facts in the Indenture and in the Bonds contained will be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of the Indenture, the Lease or of the Bonds, and will incur no responsibility in respect thereof, other than in connection with the duties or obligations in the Indenture or in the Bonds assigned to or imposed upon the Trustee. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee or, to the extent permitted by law, may act as depositary 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 the Insurer and the Owners, whether or not such committee will represent the Insurer with respect to the Insured Series 2012A Bonds or the Owners of a majority in principal amount of the Uninsured Series 2012A Bonds then Outstanding.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee has been negligent or acted with willful misconduct in ascertaining the pertinent facts, or exercising its judgment.

The Trustee will 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 in aggregate principal amount of the Uninsured Series 2012A Bonds at any time outstanding and the Insurer 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 Indenture.

The Trustee will not be liable for any action taken 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 Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture will not be construed as a mandatory duty.

The Trustee will not be deemed to have knowledge of any Event of Default under the Indenture or under the Lease, except for a payment default, unless and until it has received written notice thereof at the Corporate Trust Office of the Trustee. The Trustee will not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee will not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to the Indenture and may rely conclusively on the certificates provided under the Indenture to establish the compliance with the County's financial covenants under the Indenture except when the Trustee or any agent thereof has actual knowledge that the information is erroneous.

All indemnifications and releases from liability granted in the Indenture to the Trustee will extend to the directors, officers, employees and agents of the Trustee.

The Trustee has no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Before taking any action under the provisions of the Indenture relating to liability of the Indenture at the request of the Owners or the Insurer, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners and the Insurer for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The

Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Trustee may execute any of the trusts or powers hereof and perform the duties required by it under the Indenture either directly or by or through attorneys or agents so long as the Trustee acts in good faith. The Trustee shall be entitled to rely on advice of counsel concerning all matters of trust and the duties of the Trustee under the Indenture provided that the Trustee acts in good faith on such advice.

Right to Rely on Documents

The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Indenture in good faith and in accordance therewith, subject to the applicable provisions of the Indenture.

Subject to the applicable provisions of the Indenture, whenever in the administration of the trusts imposed upon it by the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Preservation and Inspection of Documents

All documents received by the Trustee under the provisions of the Indenture will be retained in its possession and will be subject at all reasonable times to the inspection of the Authority, the Insurer and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Rights of Owners and the Insurer

Notwithstanding any other provision of this Indenture, in determining whether any amendment, consent or other action to be taken, or any failure to act, under this Indenture would adversely affect the security for the Bonds or the rights of the Owners, the effect of any such amendment, consent, action or inaction shall be considered as if there were no Insurance Policy.

Amendment of the Indenture

The Indenture and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Indenture which will become binding when the written consents of the Insurer and the Owners of at least a majority in aggregate principal amount of the Uninsured Series 2012A Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment will (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided in the Indenture without the express written prior written consent of the Insurer or the Owner of such Uninsured Series 2012A Bond, (2) permit the creation by the Authority of any pledge of the Revenues as provided in the Indenture superior to or on a parity with the pledge created, pursuant to the Indenture, for the benefit of the Bonds, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Authority, the Insurer with respect to the Insured Series 2012A Bonds and the Owners with respect to the Uninsured Series 2012A Bonds may also be amended at any time by a Supplemental Indenture which will become binding upon adoption without the prior written consent of the Insurer with respect to the Insured Series 2012A Bonds or any Owners with respect to the Uninsured Series 2012A Bonds, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes:

(i) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Authority may deem desirable or necessary and not inconsistent with the Indenture and which will not materially adversely affect the interests of the Insurer with respect to the Insured Series 2012A Bonds or the Owners with respect to the Uninsured Series 2012A Bonds; or

(ii) to make any other change or addition to the Indenture which will not materially adversely affect the interests of the Insurer with respect to the Insured Series 2012A Bonds or the Owners with respect to the Uninsured Series 2012A Bonds, or to surrender any right or power reserved in the Indenture to or conferred in the Indenture on the Authority; or

(iii) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Indenture.

In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Indenture would adversely affect the security for the Bonds or the rights of the Owners, the effect of any such amendment, consent, action or inaction will be considered as if there were no Insurance Policy.

Disqualified Bonds

Bonds owned or held by or for the account of the Authority or the County will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and will not be entitled to consent to or take any other action provided under the Indenture. Upon request of the Trustee, the Authority or the County will specify to the Trustee those Bonds disqualified under the Indenture and the Trustee may conclusively rely on such certification.

Endorsement or Replacement of Bonds After Amendment

After the effective date of any action taken as provided in the Indenture, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Insurer with respect to any Outstanding Insured Series 2012A Bond and the Owner of any Outstanding Uninsured Series 2012A Bond and presentation of his Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action will be made on such Bond. If the Authority so determines, new Bonds so modified as, in the opinion of the Authority, will be necessary to conform to such action will be prepared and executed, and in that case upon demand of the Insurer with respect to any Outstanding Insured Series 2012A Bond and the Owner of any Outstanding Uninsured Series 2012A Bond such new Bonds will be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Events of Default

Any one or more of the following events will be called an "Event of Default" under the Indenture:

(i) default shall be made in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable;

(ii) default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(iii) default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Indenture to be performed by the Authority, and such default has continued for a period of 60 days after the Authority has been given notice in writing of such default by the Trustee; or

(iv) the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Proceedings by Trustee

Upon the happening and continuance of any Event of Default the Trustee in its discretion may, and, after being indemnified to its satisfaction, at the written request of the Insurer and, with respect to the Uninsured Series 2012A Bonds, Owners of not less than 25% in aggregate principal amount of such Uninsured Series 2012A Bonds Outstanding will, do the following:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Insurer with respect to the Insured Series 2012A Bonds and the Owners with respect to the Uninsured Series 2012A Bonds and require the Authority to enforce all rights of the Insurer with respect to the Insured Series 2012A Bonds and the Owners of the Uninsured Series 2012A Bonds, including the right to require the Authority to receive and collect Revenues and to enforce its rights under the Lease and to require the Authority to carry out any other covenant or agreement with the Insurer with respect to the Insured Series 2012A Bonds and the Owners with respect to the Uninsured Series 2012A Bonds and to perform its duties under the Indenture;

(ii) bring suit upon the Bonds;

(iii) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Insurer with respect to the Insured Series 2012A Bonds or the Owners with respect to the Uninsured Series 2012A Bonds;

(iv) as a matter of right, have a receiver or receivers appointed for the Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment confers; and

(v) following an event of default by the County, the Trustee acting at the direction of the Bondholders, will have the right to re-enter and re-let the Leased Property and to terminate the Lease. The Insurer will have the exclusive right to deliver its vote or consent with respect to the Insured Series 2012A Bonds in connection with the exercise of any remedies or other matters for which voting or consent is required for defaults under both the Lease and the Indenture.

No remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates is available under the Indenture.

Effect of Discontinuance or Abandonment

In case any proceeding taken by the Trustee on account of any default will have been discontinued or abandoned for any reason, or will have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee, the Insurer and the Owners will be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

Rights of Owners

Anything in the Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Insurer with respect to the Insured Series 2012A Bonds and the Owners with respect to the Uninsured Series 2012A Bonds in the Indenture, upon the happening and continuance of any Event of Default, the Insurer with respect to the Insured Series 2012A Bonds and, with respect to the Uninsured Series 2012A Bonds, the Owners of not less than 25% in aggregate principal amount of the Uninsured Series 2012A Bonds then Outstanding will have the right upon providing the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture.

The Trustee may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is prejudicial to rights of the Insurer or the other Owners or would subject the Trustee to personal liability.

Restriction on Owners' Action

In addition to the other restrictions on the rights of the Insurer or the Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Indenture, neither the Insurer nor the Owner of any of the Bonds will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Indenture, or any other remedy under the Indenture or on said Bonds, unless the Insurer or such Owner previously has given to the Trustee written notice of an Event of Default as provided in the Indenture and unless the Insurer with respect to the Insured Series 2012A Bonds and with respect to the Uninsured Series 2012A Bonds, the Owners of not less than 25% in aggregate principal amount of the Uninsured Series 2012A Bonds then Outstanding has made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, has accrued, and has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also has been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are, pursuant to the Indenture, declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that neither the Insurer nor one or more Owners of the Uninsured Series 2012A Bonds secured by the Indenture has any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity will be instituted, had and maintained in the manner in the Indenture provided, and for the equal benefit of all the Insurer or, with respect to the Uninsured Series 2012A Bonds, the Owners of Outstanding Uninsured Series 2012A Bonds; subject, however, to the provisions of the Indenture.

Power of Trustee to Enforce

All rights of action under the Indenture or under any of the Bonds secured by the Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee will be brought in its own name, as Trustee, for the equal and ratable benefit of the Insurer and the Owners of the Uninsured Series 2012A Bonds subject to the provisions of the Indenture.

Remedies Not Exclusive

No remedy in the Indenture conferred upon or reserved to the Trustee, the Insurer or the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative, and will be in addition to every other remedy given under the Indenture or now or existing after the date of the Indenture at law or in equity or by statute.

Waiver of Events of Default; Effect of Waiver

The Trustee will waive any Event of Default under the Indenture and its consequences, upon the written request of the Insurer with respect to the Insured Series 2012A Bonds or, with respect to the Uninsured Series 2012A Bonds, the Owners of at least a majority in aggregate principal amount of all Outstanding Uninsured Series 2012A Bonds. If any Event of Default has been waived as provided in the Indenture, the Trustee will promptly give written notice of such waiver to the Authority and will give notice thereof by first class mail, postage prepaid to the Insurer with respect to the Insured Series 2012A Bonds and all Owners of Outstanding Uninsured Series 2012A Bonds if such Insurer or Owners had previously been given notices of such Event of Default; but no such waiver and rescission will extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee, the Insurer or any Owner to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or will be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and to the Insurer with respect to the Insured Series 2012A Bonds or the Owners with respect to the Uninsured Series 2012A Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys

Any moneys received by the Trustee pursuant to the Indenture, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts under the Indenture (other than the Rebate Fund and other than moneys held for Bonds not presented for payment) will, after payment of all reasonable and necessary fees and expenses of the Trustee, and reasonable and necessary fees and expenses of its counsel incurred in and about the performance of its powers and duties under the Indenture, be applied as follows

(i) unless the principal of all of the Outstanding Bonds will be due and payable:

FIRST: To the payment of the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND: To the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which has become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available will not be sufficient to pay in full the principal of and premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD: To be held for the payment to the persons entitled thereto as the same becomes due of the principal of, interest, and premium, if any, on the Bonds, which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available will not be sufficient to pay in full such principal and premium, if any, due on any particular date, together with interest then due and owing thereon, payment will be made in accordance with the FIRST and SECOND paragraphs of the Indenture.

(ii) if the principal of all of the Outstanding Bonds will be due and payable, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of principal, premium or interest over the others or of any installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

Whenever moneys are to be applied pursuant to the provisions of the Indenture, such moneys will be applied at such times, and from time to time, as the Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee will give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

Discharge of Bonds

If the Authority will pay or cause to be paid or there will otherwise be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Indenture and therein, then the Insurer and the Owners of such Bonds will cease to be entitled to the pledge of the Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the Insurer and the Owners of such Bonds under the Indenture will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the Authority all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Subject to the provisions of the Indenture, when any of the Bonds has been paid and if, at the time of such payment, the Authority has kept, performed and observed all the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the Authority or on its part on or prior to that time, then the Indenture will be considered to have been discharged in respect of such Bonds and such Bonds will cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Authority under the Indenture will cease, terminate, become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and will be binding upon the Trustee and the Owners of the Bonds and the Trustee will continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the tax-exempt status of interest on the Bonds and the Indenture relating to the compensation and indemnification of the Trustee will remain in effect and will be binding upon the Trustee and the Authority.

Any Outstanding Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority has given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (2) there has been deposited with the

Trustee either (A) money in an amount which will be sufficient or (B) Defeasance Obligations which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, with respect to such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority has given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds and the Insurer that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

The Authority will deliver or cause to be delivered (i) a report of an independent firm of nationally recognized certificated public accountants or such other accountant as will be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which will be acceptable in form and substance to the Insurer), (iii) an Opinion of Counsel to the effect that the Bonds are no longer Outstanding under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Bond to be redeemed. Each Verification and Opinion of Counsel relating to the defeasance of the Bonds will be acceptable in form and substance, and addressed, to the Authority, the Trustee and the Insurer. The Insurer will be provided with final drafts of the above-referenced documentation not less than five (5) business days prior to the funding of the escrow for the Bonds to be redeemed. Bonds will be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Amounts paid by the Insurer under the Insurance Policy or the Reserve Policy will not be deemed paid for purposes of the Indenture and will remain Outstanding and continue to be due and owing until paid by the County in accordance with the Indenture. The Indenture will not be discharged unless all amounts due to the Insurer have been paid in full or duly provided for. The County's obligation to pay such amounts is, pursuant to the Indenture, expressly stated to survive payment in full of the Bonds.

Unclaimed Money

Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee will be repaid by the Trustee to the Authority as its absolute property free from such trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the Authority for the payment of such Bonds.

Payment Procedure Pursuant to Insurance Policy

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured Series 2012A Bonds due on such Payment Date, the Trustee will give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 p.m., New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Series 2012A Bonds due on such Payment Date, the Trustee will make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Series 2012A Bonds and the amount required to pay principal of the Insured Series 2012A Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent (if any) by 12:00 p.m., New York, New York time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee will designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the n current Owners, whether DTC or its nominee or otherwise, and will issue a replacement Insured Series 2012A Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Series 2012A Bond has no effect on the amount of principal or interest payable by the County on any Insured Series 2012A Bond or the subrogation rights of the Insurer.

The Trustee will keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Insured Series 2012A Bond. The Insurer has the right to inspect such records at reasonable times during the Trustee's normal business hours upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee will establish a separate special purpose trust account for the benefit of Owners referred to in the Indenture as the "Policy Payments Account" and over which the Trustee has exclusive control and sole right of withdrawal. The Trustee will receive any amount paid under the Insurance Policy in trust on behalf of Owners and will deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts will be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Insured Series 2012A Bonds under the sections of the Indenture regarding payment of Bonds. It will not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Notwithstanding anything to the contrary otherwise set forth in the Indenture, the Authority agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy(the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the n applicable highest rate of interest on the Insured Series 2012A Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. The County, pursuant to the Indenture, covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Base Rental Payments and payable from such Base Rental Payments on a parity with debt service evidenced by the Insured Series 2012A Bonds.

Funds held in the Policy Payments Account will not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Insured Series 2012A Bond payment date will promptly be remitted to the Insurer.

The Insurer will, to the extent it makes any payment of principal of or interest on the Insured Series 2012A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. The obligations to the Insurer will survive discharge or termination of the Indenture, the Lease, the Assignment Agreement and the Site Lease.

Reimbursement to Insurer

The Authority will pay or reimburse the Insurer, as Additional Payments under the Lease, any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture, the Lease, the Site Lease and the Assignment Agreement, (ii) the pursuit of any remedies under the Indenture or the Lease, Site Lease and the Assignment Agreement or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to or related to, the Indenture or the Lease, the Site Lease or the Assignment Agreement whether or not executed or completed, (iv) any litigation or other dispute in connection with the Indenture or the Lease, the Site Lease or the Assignment Agreement or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or the Lease, the Site Lease or the Assignment Agreement.

Insurer Right to Pay Unpaid Amounts

The Insurer will be entitled to pay principal or interest with respect to the Insured Series 2012A Bonds that becomes Due for Payment but will be unpaid by reason of Nonpayment (as such terms are defined in the Insurance Policy) by the Authority, whether or not the Insurer has received a Notice of Nonpayment (as such term is defined in the Insurance Policy) or a claim upon the Insurance Policy

Draws on Reserve Policy

The Authority will repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer. Interest will accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. “Late Payment Rate” means, as determined by the Insurer, the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the n applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate will be the publicly announced prime or base lending rate of such national bank as the Insurer will specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, “Policy Costs”) will commence in the first month following each draw, and each such monthly payment will be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Account established for Bonds will be transferred to the Bond Fund before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Account in lieu of cash ("Credit Facility"). Payment of any Policy Costs will be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities will be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account.

If the Authority will fail to pay any Policy Costs in accordance with the requirements of Paragraph (a) above, the Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than remedies which would adversely affect owners of the Series 2012A Bonds.

The Indenture will not be discharged until all Policy Costs owing to the Insurer has been paid in full. The Authority's obligation to pay such amounts will expressly survive payment in full of the Insured Series 2012A Bonds.

The Trustee will ascertain the necessity for a claim upon the Reserve Policy and will provide notice to the Insurer in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Insured Series 2012A Bonds.

The Reserve Policy will expire on the earlier of the date the Insured Series 2012A Bonds are no longer outstanding and the final maturity date of the Insured Series 2012A Bonds.

Liability of Authority Limited to Revenues

Notwithstanding anything contained in the Indenture, the Authority will not be required to advance any money derived from any source of income other than the Revenues as provided in the Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants contained in the Indenture. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are limited obligations of the Authority and will be payable solely from the Revenues and amounts on deposit in the funds and certain accounts (other than the Rebate Fund created pursuant to the Indenture) established under the Indenture. The Bonds do not constitute a debt or liability of the County or of the State and neither the faith and credit of the County nor of the State are pledged to the payment of the principal of or interest on the Bonds.

Benefits of the Indenture Limited to Parties

Nothing contained in the Indenture, expressed or implied, is intended to give to any person other than the County, the Authority, the Trustee, the Insurer, and the Owners any right, remedy or claim under or by reason of the Indenture. Any agreement or covenant required in the Indenture to be performed by or on behalf of the Authority or any member, officer or employee thereof will be for the sole and exclusive benefit of the Authority, the Trustee, the Insurer and the Owners of the Bonds.

Successor Is Deemed Included In All References to Predecessor

Whenever in the Indenture either the Authority or any member, officer or employee thereof is named or referred to, such reference will be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required, pursuant to the Indenture, to be performed by or on behalf of the Authority or any member, officer or employee thereof will bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Waiver of Personal Liability

No member, officer or employee of the Authority will be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, with respect to the Bonds by reason of their issuance, but nothing contained in the Indenture will relieve any member, officer or employee of the Authority from the performance of any official duty provided by any applicable provisions of law or, pursuant to the Indenture.

Funds, Accounts and Subaccounts

Any fund, account or subaccount required in the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account, subaccount 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, subaccount or a fund; but all such records with respect to all such accounts, subaccounts and funds will at all times be maintained in accordance with sound corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Insurer with respect to the Insured Series 2012A Bonds and the Owners with respect to the Uninsured Series 2012A Bonds.

Limitation of Rights to Parties and Owners

Nothing in the Indenture expressed or implied is intended or will be construed to confer upon, or to give or grant to, any person or entity, other than the County, the Authority, the Trustee, the Insurer and the registered owners of the Series 2012A Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Authority will be for the sole and exclusive benefit of the County, the Authority, the Trustee, the Insurer and the Owners of the Series 2012A Bonds.

Insurer Exercise of Rights

The rights granted to the Insurer under the Indenture, the Lease and the Site Lease to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is an exercise of the Insurer's contractual rights and will not be considered or deemed to be taken for the benefit or on behalf of the Owners nor does such action evidence any position of the Insurer, positive or negative, as to whether Owners consent is required in addition to prior written consent of the Insurer.

No contract will be entered into nor any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

The Insurer has the right to receive such additional information as it may reasonably request. The Authority will permit the Insurer to discuss the affairs, finances and accounts of the Authority or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Authority and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Authority on any Business Day upon reasonable prior notice.

THE LEASE

Lease of the Leased Property

The Authority, pursuant to the Lease, leases to the County, and the County, pursuant to the Lease, rents and hires from the Authority, the Leased Property on the conditions and terms in the Lease after set forth. The County, pursuant to the Lease, agrees and covenants that during the term of the Lease, except as in the Lease after provided, it will use the Leased Property in connection with public purposes so as to afford the public the benefits contemplated, pursuant to the Lease, and so as to permit the Authority to carry out its agreements and covenants contained in the Lease and in the Indenture, and the County, pursuant to the Lease, further agrees and covenants that during the term of the Lease that it will not abandon or vacate the Leased Property.

Quiet Enjoyment

The parties to the Lease mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Lease and is not in default under the Lease, shall at all times during the term of the Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection

The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours for any purpose connected with the Authority’s rights or obligations under the Lease and for all other lawful purposes so long as the County’s operations conducted on the Leased Property are not disrupted.

Prohibition Against Encumbrance or Sale

The County and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Bonds as contemplated by the Lease. The Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property without obtaining the prior written consent of the County. The County and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Lease. The County may, with the prior written consent of the Insurer, assign, transfer or sublease any and all of the Leased Property subject to all of the following conditions: (a) the rights of any assignee, transferee or sublessee will be subordinate to all rights of the Authority under the Lease ; (b) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Lease; (c) the County will, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease; (d) no sublease by the County will cause the Leased Property to be used for a purpose other than in connection with a governmental or proprietary function authorized under the provisions of the laws of the State; (e) no sublease, assignment or transfer shall cause the interest component of the Base Rental Payments due with respect to the Leased Property to become included within gross income for federal income tax purposes or subject to State personal income taxes; and (f) if the Lease is assigned by the County, the obligation to make Base Rental Payments and payments of Additional Rental under the Lease shall remain the obligation of the County according to the terms and conditions of the Lease.

Liens

In the event the County will at any time during the term of the Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County 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. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County will forthwith pay and discharge or cause to be paid and discharged such judgment.

Substitution or Removal of Leased Property

The County and the Authority may, with the prior written consent of the Insurer, amend the Lease to substitute real property and/or improvements (the "Substituted Property") for existing Leased Property or to remove real property (including undivided interests therein) or improvements from the definition of Leased Property, upon compliance with all of the conditions set forth in subsection (b). After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold under the Lease .

No Substitution or Removal shall take place under the Lease until the County delivers to the Authority and the Trustee the following:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place.

(2) A Certificate of the County, accompanied by an MAI fair market appraisal or a fair market appraisal utilizing appropriate valuation methodology from an appraiser, who may be an employee of the County, evidencing that the annual fair rental value of the Leased Property after such substitution or removal will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the n current fiscal year or in any subsequent fiscal year; and stating that the useful economic life of the Substituted Property is at least equal to the remaining term of the Lease.

(3) An Opinion of Counsel to the effect that the amendments to the Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms.

(4) A policy of title insurance in the aggregate principal amount of all Series 2012A Bonds and Additional Bonds Outstanding as of the date of such policy in form and substance reasonably satisfactory to the Authority and the Trustee.

(5) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Series 2012A Bonds and any Additional Bonds to be includable in gross income of the Owners thereof for federal income tax purposes.

(6) A Certificate of the County stating that the County has complied with the covenants contained in the Lease with respect to the Substituted Property.

(7) Written notice will be given to each Rating Agency of the Substitution and a copy of each amendment to the Lease regarding any such Substitution.

Commencement of the Lease

The term of the Lease shall commence on the Closing Date, and shall terminate on August 1, 2022, unless terminated sooner as in the hereafter provided. If on August 1, 2022, the Base Rental Payments payable under the Lease shall not be fully paid and all Series 2012A Bonds and Additional Bonds shall not be fully paid and defeased, or if the Base Rental Payments and Additional Rental payable under the Lease shall have been abated at any time and for any reason, then the term of the Lease will be extended until ten days after the Base Rental Payments and Additional Rental payable under the Lease shall be fully paid and all Series 2012A Bonds and Additional Bonds shall be fully paid and defeased, except that the term of the Lease shall in no event be extended beyond August 1, 2032. If prior to August 1, 2032, the Base Rental Payments and Additional Rental payable under the Lease shall be fully paid and all Series 2012A Bonds and Additional Bonds, if any, shall have been fully paid or defeased in accordance with the Indenture, the term of the Lease shall terminate ten days thereafter or ten days after written notice by the County to the Authority to the effect that the Base Rental Payments and Additional Rental payable under the Lease are fully paid and all Series 2012A Bonds and Additional Bonds have been fully paid, whichever is earlier, and the Lease shall thereupon terminate.

The County will take possession of the Leased Property on the Closing Date and the obligation of the County to pay Base Rental Payments and Additional Rental shall commence on the Closing Date, subject to the limitations set forth in the Lease.

Tax Covenants

In order to maintain the exclusion from gross income for federal income tax purposes of the interest component of Base Rental Payments due under the Lease, the Authority covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended. In furtherance of this covenant, the Authority agrees to comply with the Tax Certificate, which is incorporated in the Lease by this reference, as such Tax Certificate may be amended from time to time.

Continuing Disclosure

The County, pursuant to the Lease, covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Lease, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Lease .

Rental Payments

The County agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

Base Rental. The County will pay to the Authority rental under the Lease as Base Rental Payments with respect to the Leased Property at the times and in the amounts set forth in the Base Rental Payment Schedule attached the Lease and made a part of the Lease. The obligation of the County to pay Base Rental Payments (and Additional Rental) shall commence on the Closing Date. Notwithstanding the foregoing, the County will deposit with the Authority not later than the Base Rental Deposit Date, Base Rental Payments due in the n current fiscal year (each, a "County Payment") (provided that the Base Rental Payment due on February 1, 2013 will be in an amount representing payments due for that period ending on such date as set forth in the Lease) and the same will be held by the Authority as security for the Base Rental Payments due on such dates.

Additional Rental. The County will also pay, as rental under the Lease in addition to the Base Rental Payments, to the Authority or the Trustee, as in the Lease after provided, such amounts in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Lease or the assignment of the Lease pursuant to the Assignment Agreement, the Indenture or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the County under the Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Series 2012A Bonds or any Additional Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by the Authority to comply with the terms of the Series 2012A Bonds, any Additional Bonds or the Indenture.

The foregoing Additional Rental will be billed to the County by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority, the Trustee or the Trustee on behalf of the Authority for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed will be paid by the County not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the County for such amounts.

Consideration. Such payments of Base Rental Payments and Additional Rental for each Lease Year or portion thereof during the term of the Lease will constitute the total rental for such Lease Year or portion thereof and will be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. The parties to the Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under the Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

The parties to the Lease acknowledge that the parties to the Lease may amend the Lease from time to time to increase the Base Rental Payments payable under the Lease so that Additional Bonds may be executed and delivered pursuant to the Lease and the Indenture. The proceeds of such Additional Bonds will be used as provided in the Indenture. Notwithstanding anything to the contrary in the Lease contained, the Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, and Additional Rental with respect to Outstanding Bonds and Additional Bonds in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Lease after giving effect to the application of proceeds of any Additional Bonds executed and delivered in connection therewith.

Payment; Credit. Each installment of Base Rental Payments payable under the Lease will be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Trustee shall designate. Any such installment of rental accruing under the Lease which shall not be paid when due will remain due and payable until received by the Trustee, except as provided in the Lease, and to the extent permitted by law will bear simple interest at the rate of ten percent per annum from the date when the same is due under the Lease until the same will be paid. Notwithstanding any dispute between the County and the Authority, the County will make all rental payments when due, without deduction or offset of any kind, and will not withhold any rental payments pending the final resolution of any 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, will, at the option of the County, be credited against subsequent rental payments due under the Lease or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to the Lease on any date will be reduced to the extent of amounts on deposit on such date in the Interest Account or the Principal Account held under the Indenture.

Annual Budgets; Reporting Requirements

The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under the Lease in its operating budget for each fiscal year commencing after the date of the Lease (the “Operating Budget”) and to make all necessary appropriations for such Base Rental Payments and Additional Rental. In addition, to the extent permitted by law, the County covenants to take such action as may be necessary to amend or supplement the budget appropriations for payments under the Lease at any time and from time to time during any fiscal year if the actual Base Rental Payments and Additional Rental payable in any fiscal year exceeds the appropriations then contained in the County’s budget.

Application of Rental Payments

All Base Rental Payments received will be applied first to the Base Rental Payments due under the Lease (including any prepayment premium components) and thereafter to all Additional Rental due under the Lease, but no such application of any payments which are less than the total rental due and owing will be deemed a waiver of any default under the Lease .

Rental Abatement

Notwithstanding anything to the contrary in the Lease, (a) except to the extent of (i) amounts held by the Trustee in the Bond Fund or the Reserve Account of the Bond Fund; (ii) amounts received in respect of County's rental interruption insurance described in the Lease; and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2012A Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the County of any portion of the Leased Property, Base Rental Payments and Additional Rental due under the Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments will be abated only by an amount equal to the difference thereof. Any abatement of Base Rental Payments and Additional Rental pursuant to the related section of the Lease will not be considered an event of default as defined in the Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Lease by virtue of any such interference and the Lease will continue in full force and effect. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

If Base Rental Payments and Additional Rental is abated, in whole or in part, pursuant to the Lease due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property. In the event of a prepayment pursuant to Indenture, the County will provide the Trustee with a revised schedule of Base Rental Payments.

Obligation to Make Rental Payments

The agreements and covenants on the part of the County contained in the Lease will be deemed to be and will be construed to be duties imposed by law and it will 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 agreements and covenants contained in the Lease agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds

In addition to the Series 2012A Bonds to be executed and delivered under the Indenture, the Authority may, from time to time, but only upon satisfaction of the conditions to the execution and delivery of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to execute and deliver Additional Bonds on a parity with the Series 2012A Bonds and any previously executed and delivered Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used as provided in the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to the Lease providing for an increase in the Base Rental Payments to be made under the Lease subject to the limitations set forth in the Lease.

Maintenance of the Leased Property by the County

The County agrees that, at all times during the term of the Lease, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority will have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Taxes, Other Governmental Charges and Utility Charges

The parties to the Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay or cause to be paid during the term of the Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas (if any), water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County will be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

Insurance

(a) The County will procure or cause to be procured and maintain or cause to be maintained throughout the term of the Lease for the Leased Property insurance against the following risks in the following respective amounts:

(1) Insurance against loss or damage to the Leased Property caused by fire, lightning or earthquake, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss; provided that earthquake coverage will be required only if it is available from reputable insurers at commercially reasonable rates. In the event the County is unable to obtain earthquake coverage on any Leased Property which it previously has maintained, it will promptly so notify all Rating Agencies then rating the Series 2012A Bonds or any Additional Bonds. The insurance described in this paragraph will be in an amount equal to the greater of (i) the lesser of the replacement cost (without deduction for depreciation) of improvements located or to be located on the Leased Property or $55,575,284 in the case of earthquake insurance; or (ii) the remaining unpaid principal amount of Series 2012A Bonds and any Additional Bonds Outstanding plus the amount of rental interruption insurance described in the next paragraph below in the case of all other insurance required under the next paragraph; provided further that such insurance may be subject to deductible clauses of not to exceed the first one hundred thousand dollars ($100,000) of the amount of any one loss (or ten percent (10%) of the amount insured, in the case of earthquake). Insurance described in this paragraph and in the

next paragraph may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property insured by the County; provided that the amount of coverage available thereunder will be at least equal to the cumulative replacement values of the Leased Property and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("Financed Properties") for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") plus the amount of rental interruption insurance required by the next paragraph; in the event the County elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property and all Financed Properties, or to repay all Obligations, the Series 2012A Bonds and any Additional Bonds, on a *pro rata* basis.

(2) Rental interruption insurance against loss, total or partial, of the use and occupancy of the Leased Property as a result of any of the hazards covered by the insurance required by the preceding paragraph, in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property for a twenty-four (24) month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments attributable to the Leased Property; provided further, that such insurance may be part of a policy permitted under the preceding, which policy may provide that insurance proceeds paid for coverage contemplated by the preceding paragraph may reduce amounts payable under coverage required by this paragraph, and vice-versa; the County may obtain rental interruption insurance covering the Leased Property as well as other parcels of property owned by the County, provided that the cumulative amount thereof is at least equal to the cumulative amount of rental interruption insurance required by this paragraph and any agreements relating to Financed Property in respect of which Obligations are outstanding.

(3) Workers' compensation insurance or an approved self-insurance or self-funding method or plan permitted by the section of the Lease relating thereto covering all County employees working in or on the Project and the Leased Property; and the County will require any other person or entity working in or on the Project and the Leased Property to carry the workers' compensation insurance in connection with statutory requirements; any such policy may provide for a deductible so long as the deductible is covered by a self-insurance or self-funding method or plan permitted by the Lease.

(4) A standard, commercial general liability insurance policy or policies in protection of the Authority and the County and their directors, officers and employees, indemnifying and defending such parties against direct or contingent loss or liability for damages for personal injury, death or property damage related to the possession, operation or use of the Leased Property, with a minimum combined single limit of ten million dollars ($10,000,000) for personal injury or death of one or more persons, and for property damage, in each accident or event (subject to a self-insured retention clause of not to exceed one million dollars ($1,000,000) or such greater amount as may be covered by any coverage plan, self-insurance or self-funding method or plan permitted by the Lease).

(b) The County will collect, adjust and receive all moneys which may become due and payable under any policies contemplated by the two preceding paragraphs, may compromise any and all claims thereunder and, subject to the provisions of the Lease, will transfer such Net Proceeds to the Trustee for application as provided in the Lease or in the Indenture. The Trustee will not be responsible for the sufficiency of any insurance in the Lease required. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

(c) Any of the insurance required by paragraph (a) above may be maintained (i) as part of or in conjunction with any other liability or property insurance coverage carried by the County and may be maintained through a joint exercise of powers authority created for such purpose or, (ii) in the case of the insurance required by paragraphs (a)(1),(a) (3) and (a)(4) of the Lease, in the form of self-insurance, self-funding or coverage program by the County. Any self-insurance, or self-funding, or coverage program maintained by the County will comply with the following terms:

(i) The self-insurance program and coverage program will be approved by an Insurance Consultant;

(ii) The self-insurance program and coverage program will be maintained on an actuarially sound basis and the self-insurance program and coverage program will annually receive a certified actuarial statement attesting to the sufficiency of the program's assets;

(iii) The self insurance fund and coverage program will be held in a separate trust fund by an independent trustee; and

(iv) In the event the self insurance program or coverage program is discontinued, the actuarial soundness of the claim reserve fund will be maintained.

(d) Any insurance policy issued pursuant to paragraph (a)(1) hereof will be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the Net Proceeds of the insurance required by paragraph (a)(1) hereof will be applied as provided in the Lease. The Net Proceeds, if any, of the insurance policy described in paragraph (a)(1) hereof will, to the extent that such proceeds are paid on account of loss or damage to the Leased Property, be payable to the Trustee and deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as described in the Indenture. The Net Proceeds, if any, of the insurance policy described in paragraph (a)(2) hereof will, to the extent that such proceeds relate to the use and occupancy of the Leased Property, be payable to the Trustee and deposited in the Bond Fund. Each insurance policy provided for in the Lease will contain a provision to the effect that the insurance company will not cancel the policy or modify it materially and adversely to the interests of the Authority and the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

(e) The County will file a certificate with the Authority and the Trustee not later than August 1 of each year commencing August 1, 2013, certifying that the insurance required by the Lease is in full force and effect and that the Trustee and the Authority are named as loss payees on each insurance policy required to be obtained and maintained under the Lease. The Trustee will be entitled to rely on any such Certificate as to the County's compliance with these provisions and the Trustee will have no further duties in that regard. The Trustee will be entitled to rely on any such certificate as to the County's compliance with these provisions and the Trustee will have no further duties in that regard

Advances

In the event the County will fail to maintain the full insurance coverage required by the Lease or shall fail to keep the Leased Property in good repair and operating condition, the Authority, upon notice of such failure, may (but will be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof. In such event, the Authority will deliver to the County a written request to comply with the provisions of the Lease and any and all amounts so advanced therefor by the Authority will become Additional Rental, which amounts the County agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance

The County covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal amount represented by the Series 2012A Bonds. Such policy or policies, when issued, will name the Trustee as the insured and will insure the estate of the Authority in the Leased Property subject only to such exceptions as do not materially affect the County's right to the use and occupancy of the Leased Property.

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds

If prior to the termination of the term of the Lease (i) the Leased Property or any other improvements in or on the Leased Property are damaged (each of which is in the Lease after called "Damaged Improvements") by a peril covered by a policy of insurance described in the applicable provisions of the Lease (an "Insured Peril"); or (ii) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or will be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the County and the Authority will cause the Net Proceeds of any insurance claim (other than rental interruption insurance pursuant to the Lease which will be directly transferred to the Trustee for deposit in the Bond Fund pursuant to the Lease) or condemnation award to be transferred to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund established pursuant to the Indenture and applied as follows:

(1) Net Proceeds Exceeding Costs. Within 120 days of the date of said Insured Peril, the County will obtain a written estimate(s) of the (i) cost of the repair, replacement and reconstruction of the Damaged Improvements (collectively referred to in the Lease as the "Reconstruction"), and (ii) Net Proceeds available to pay such costs. If the 120 day period is insufficient to obtain said estimates, the period will be reasonably extended by the County Administrative Officer. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) equal or exceed the estimated costs of Reconstruction, the Damaged Improvements will be repaired, replaced and reconstructed to the same or better quality as existed before the damage occurred. The County will commence and manage the Reconstruction and will complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed will be transferred to the Trustee with directions to apply the proceeds to the Redemption Account established under the Indenture to redeem Outstanding Bonds in the manner provided by the Lease and then, if amounts remain, to the County.

(2) Costs Exceeding Net Proceeds. If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property), the County, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, whether the same is greater or less than the estimated excess, and to manage the Reconstruction as set forth in the Lease.

(3) Net Proceeds Sufficient to Redeem All Bonds. If the County does not exercise the election to reconstruct pursuant to the Lease and Net Proceeds are at least sufficient to redeem all Outstanding Bonds pursuant to the Indenture, such Net Proceeds will be transferred to the Trustee with directions to apply the proceeds to the Redemption Account established under the Indenture to redeem all Outstanding Bonds in the manner provided by the Indenture. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the amount necessary to redeem all Outstanding Bonds, the County will be entitled to

the amount of proceeds remaining after redemption of all Outstanding Bonds ("Excess Proceeds") and will have the option (i) to distribute the Excess Proceeds to the Reconstruction and to manage the Reconstruction pursuant to the Lease, or (ii) if required by law or if the County so elects, to demolish any remaining improvements on the Leased Property site and remove all debris from the site.

(4) Net Proceeds Insufficient to Redeem All Bonds. If the County does not exercise the election to reconstruct pursuant to the Lease and Net Proceeds are insufficient to redeem all Outstanding Bonds pursuant to the Indenture, the County, in its sole discretion, may elect to (x) budget and appropriate funds to cause the redemption of the remaining Outstanding Bonds and the Net Proceeds, together with such funds, will be transferred to the Trustee with directions to apply the proceeds to the Redemption Account established under the Indenture to redeem all Outstanding Bonds in the manner provided by the Indenture, or (y) redeem a portion of the Outstanding Bonds provided that the fair rental value of the portions of the Leased Property not damaged, destroyed, incomplete or otherwise available for use and occupancy by the County as determined by the County is equal to or greater than the debt service on the Series 2012A Bonds that will remain Outstanding following the redemption of the Series 2012A Bonds in part from such Net Proceeds.

The proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property will be applied in accordance with the Indenture.

Disclaimer of Warranties

THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event will the Authority or its assigns be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided the Lease.

Use of the Leased Property

The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated in the Lease. The County will provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, 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 County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Lease .

Assignment by Authority

The parties to the Lease understand that certain of the rights of the Authority under the Lease will be assigned to the Trustee pursuant to the Assignment Agreement and accordingly the County agrees to make all payments due under the Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Lease or otherwise) that the County may from time to time have against the Authority. The County agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Lease.

Assignment by County

The Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by the Lease.

Indemnification

The County will, to the full extent permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof excepting those arising out of the wrongful, negligent or willful act or omissions of the Authority and the Trustee, and expenses in connection therewith, including, without limitation, counsel fees and expenses as incurred, penalties and interest (collectively, a "Claim"), arising out of or as the result of entering into the Lease or the Indenture, and the acquisition, construction, operation, use, condition, or possession of the Leased Property or the Project and any portion thereof, including:

(1) any accident in connection with the operation, use, condition or possession of the Leased Property or the Project and any portion thereof, resulting in damage to property or injury to or death to any person including, without limitation, any Claim alleging latent and other defects, whether or not discoverable by the County or the Authority;

(2) any environmental law or regulation as a consequence of the operation of the Leased Property;

(3) the existence, placement, delivery, storage or release of hazardous materials on the Leased Property or contamination of property, arising therefrom; and

(4) the Trustee's acceptance or administration of the trusts imposed by the Indenture, including performance of the Trustee's duties, to the extent provided in the Lease.

The indemnification arising under the section of the Lease entitled "Indemnification" will continue in full force and effect notwithstanding the full payment of all obligations under the Lease or the termination of the Lease for any reason or the resignation or removal of the Trustee.

Defaults and Remedies

The following events will be "events of default" under the Lease and the terms "event of default" and "default" will mean, whenever they are used in the Lease, any one or more of the following events:

(1) the County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the

Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Lease will not constitute an event of default;

(2) subject to the provisions of subsection (c) of this section, the County shall fail to pay any item of Additional Rental when the same shall become due and payable pursuant to the provisions of the Lease relating to Additional Rental; or

(3) the County shall breach any other terms, covenants or conditions contained in the Lease or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; provided, however, that if the failure stated in the notice cannot be corrected within such period, then corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

Upon the happening of any of the events specified in subsection (a) of this section (each an "Event of Default"), it will be lawful for the Authority or its assignee, subject to the terms of the Lease, to exercise any and all remedies available or granted to it pursuant to law or under the Lease .

The Authority or its assignee, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(1) To terminate the Lease in the manner in the Lease after provided on account of default by the County, notwithstanding any retaking of possession or re-letting of the Leased Property as in the Lease after provided for in subparagraph (c)(2), and to retake possession of the Leased Property. In the event of such termination, the County agrees to surrender immediately possession of the Leased Property, without let or hindrance, and to pay the Authority or its assignee all damages recoverable at law (without acceleration of any future rents before they are due and payable under the Lease) that the Authority or its assignee may incur by reason of default by the County, including, without limitation, any reasonable costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the Leased Property. Neither notice to pay rent nor to deliver up possession of the Leased Property given pursuant to law nor any proceeding in unlawful detainer, or otherwise, brought by the Authority or its assignee for the purpose of obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Authority or its assignee to protect the Authority's or its assignee's interest under the Lease shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the County will be or become effective by operation of law or acts of the parties to the Lease, unless and until the Authority or its assignee shall have given written notice to the County of the election on the part of the Authority or its assignee to terminate the Lease.

(2) Without terminating the Lease and to the extent permitted by law, (i) to collect each installment of Base Rental Payments as it becomes due and enforce any other term or provision of the Lease to be kept or performed by the County; and/or (ii) to exercise any and all rights to retake possession of the Leased Property. In the event the Authority or its assignee does not elect to terminate the Lease in the manner provided for in subparagraph (c)(1) hereof, the County will remain liable and agrees to keep or perform all covenants and conditions in the Lease contained to be kept or performed by the County and, to pay the Base Rental Payments and Additional Rental to the end of the term of the Lease or, in the event that the Leased Property is re-let, to pay any deficiency in Base Rental Payments or Additional Rental that results therefrom; and further agrees to pay said Base Rental Payments and Additional Rental and/or rent deficiency punctually at the same time and in the same manner as in the Lease above provided for the payment of Base Rental Payments and Additional Rental under the Lease (without acceleration of any future rents before they are due and payable under the Lease), notwithstanding the fact that the Authority or its assignee may have received in previous years or may receive thereafter in subsequent years Base Rental Payments and Additional Rental in excess of the rental

in the Lease specified and notwithstanding any retaking of possession of the Leased Property by the Authority or its assignee or suit in unlawful detainer, or otherwise, brought by the Authority or its assignee for the purpose of obtaining possession of the Leased Property. Should the Authority or its assignee elect to retake possession of the Leased Property as in the Lease provided, the County, pursuant to the Lease, irrevocably appoints the Authority or its assignee as the agent and attorney-in-fact of the County to re-let the Leased Property, or any items thereof, from time to time, either in the Authority's or its assignee's name or otherwise, upon such terms and conditions and for such use and period to and including the date of termination set forth in the Lease as the Authority or its assignee may deem advisable and the County, pursuant to the Lease, indemnifies and agrees to save harmless the Authority or its assignee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Leased Property by the Authority or its assignee or its duly authorized agents in accordance with the provisions in the Lease contained. The County agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority or its assignee to re-let the Leased Property in the event of such reentry without effecting a surrender of the Lease, and further agrees that no acts of the Authority or its assignee in effecting such re-letting will constitute a surrender of termination of the Lease 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, in the event of such default by the County the right to terminate the Lease will vest in the Authority or its assignee to be effected in the sole and exclusive manner provided for in subparagraph (c)(1). The County further waives the right to rental obtained by the Authority or its assignee in excess of the rental in the Lease specified and, pursuant to the Lease, conveys and releases such excess to the Authority or its assignee as compensation to the Authority or its assignee for its services in re-letting the Leased Property or any items thereof. The County further agrees to pay the Authority or its assignee the reasonable cost of any alterations or repairs to the Leased Property or any items thereof necessary to place the Leased Property or any items thereof in condition for re-letting immediately upon notice to the County of the completion and installation of such alterations or repairs.

The County, pursuant to the Lease, waives any and all claims for damages caused or which may be caused by the Authority or its assignee in taking possession of the Leased Property as in the Lease provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the County, or any other person, that may be on or about the Leased Property.

The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

In addition to any default resulting from breach by the County of any agreement, condition, covenant or term of the Lease, if

(1) the County's interest in the Lease or any part of the Lease be assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by the Lease), either voluntarily or by operation of law; or

(2) the County or any assignee will file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County will make a general or any assignment for the benefit of its creditors; or

(3) the County will abandon or vacate the Leased Property or any portion thereof (except as permitted by the Lease);

(4) then in each and every such case the County will be deemed to be in default under the Lease .

The Authority and its successors and assigns will honor the rights of the County to use the Leased Property.

Net Lease

It is the purpose and intent of the Authority and the County that Base Rental Payments and Additional Rental under the Lease will be absolutely net to the Authority so that the Lease will yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as in the Lease specifically otherwise provided. The Authority will not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Lease except as in the Lease expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Lease will be paid by the County.

Amendments to Lease

The Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written approval of the Trustee and the prior written consent of the Insurer; provided, that no such amendment which materially adversely affects the rights of the Owners or the Insurer will be effective unless it shall have been consented to by the Insurer with respect to the Insured Series 2012A Bonds and the Owners of more than 50% in value of the Uninsured Series 2012A Bonds Outstanding with respect to the Uninsured Series 2012A Bonds and Additional Bonds Outstanding, and provided further, that no such amendment will:

(1) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Insurer and the Owner of each Uninsured Series 2012A Bonds and Additional Bond so affected;

(2) reduce the percentage of the value of the Series 2012A Bonds and Additional Bonds Outstanding the consent of the Insurer and the Owners of which is required for the execution of any amendment of the Lease.

The Lease and the rights and obligations of the Authority and the County under the Lease may also be amended or supplemented at any time by an amendment of the Lease or supplement to the Lease which will become binding upon execution without the written consents of the Insurer with respect to the Insured Series 2012A Bonds and any Owners with respect to the Uninsured Series 2012A Bonds, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed in the Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved in the Lease to or conferred in the Lease on the Authority or the

County, and which in either case will not materially adversely affect the interests of the Insurer or the Owners;

(2) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Lease or in regard to questions arising under the Lease which the Authority or the County may deem desirable or necessary and not inconsistent herewith, and which will not materially adversely affect the interests of the Insurer or the Owners;

(3) to effect a Substitution or Removal in accordance with the Lease;

(4) to facilitate the issuance of Additional Bonds as provided in the Lease; or

(5) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Insurer or the Owners.

Discharge of County

Subject to the Lease, upon the payment to the Owners of all Outstanding Bonds and Additional Bonds in accordance with the Indenture, all of the obligations of the County under the Lease will thereupon cease, terminate and become void and will be discharged and satisfied; provided, however, if any Outstanding Bonds and Additional Bonds will be deemed to have been paid by virtue of a deposit contemplated by the Indenture, then the obligation of the County under the Lease to make Base Rental Payments will continue in full force and effect until all Outstanding Bonds and Additional Bonds have in fact been paid, but such payments will be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that will be the sole source of satisfaction of the County's obligation to make Base Rental Payments.

Reimbursement to Insurer

The County will reimburse the Insurer, as Additional Payments under the Lease, any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture, the Lease, the Site Lease and the Assignment Agreement, (ii) the pursuit of any remedies under the Indenture or the Lease, Site Lease and the Assignment Agreement or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to or related to, the Indenture or the Lease, the Site Lease or the Assignment Agreement whether or not executed or completed, (iv) any litigation or other dispute in connection with the Indenture or the Lease, the Site Lease or the Assignment Agreement or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or the Lease, the Site Lease or the Assignment Agreement.

Insurer Exercise of Rights

The County will permit the Insurer to discuss the affairs, finances and accounts of the County or any information the Insurer may reasonably request regarding the security for the Series 2012A Bonds with appropriate officers of the County and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the County on any Business Day upon reasonable prior notice.

Net-Net-Net Lease

The Lease will be deemed and construed to be a “net-net-net lease” and the County, pursuant to the Lease, agrees that the Base Rental Payments will be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided in the Lease.

No Merger of Estate

The Lease will not operate as a merger of the County’s leasehold estate in the Leased Property and its fee estate in the Leased Property will not cause the leasehold interest granted to the County under the Site Lease to be extinguished.

Third-Party Beneficiaries

The Owners, the Trustee and the Insurer are expressly recognized as third-party beneficiaries under the Lease.

County’s Obligations Under Indenture

The County agrees in the Lease to comply with the provisions of the Indenture and to perform the duties imposed upon it by the Indenture.

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APPENDIX C

COUNTY OF FRESNO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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COUNTY OF FRESNO
STATE OF CALIFORNIA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended
June 30, 2011

Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector

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INTRODUCTORY SECTION

- Letter of Transmittal
- Certificate of Achievement – Government Finance Officers Association
- Organization Chart
- List of Principal Officials

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County of Fresno
Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector

December 23, 2011

The Honorable Board of Supervisors
Citizens of the County of Fresno, California

Members of the Board and Citizens of the County of Fresno:

The Comprehensive Annual Financial Report (CAFR) of the County of Fresno (County) for the fiscal year ended June 30, 2011 is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California.

The report contains financial statements that have been prepared in conformity with generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County's management. An established comprehensive framework of internal controls has been designed to provide reasonable assurance that the enclosed data is accurate in all material respects and that its presentation fairly depicts the financial position and changes in financial position of County funds. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatements.

The County's financial statements have been audited by the certified public accounting firm of Price, Paige and Company. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2011, are free of material misstatement. The independent certified public accounting firm has issued an unqualified ("clean") opinion on the County's financial statements as of and for the year ended June 30, 2011. The auditors report is located at the front of the financial section of this report.

This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A). MD&A provides a narrative introduction, overview, and analysis of the financial statements and can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The County was created from parts of Merced, Tulare and Mariposa counties in 1856 and is a political subdivision chartered by the State. It is the Sixth largest county in the State in terms of area, occupying over 6,000 square miles in the heart of the San Joaquin Valley and has a population of 940,220. There are 15 incorporated cities within the County: Fresno, Clovis, Reedley, Sanger, Kerman, Fowler, Selma, Kingsburg, Parlier, Orange Cove, Huron, San Joaquin, Tranquility, Mendota and Firebaugh. The largest employment categories include services, wholesale and retail trade, public administration, agriculture and manufacturing.

Policy making and legislative authority is vested in the County Board of Supervisors (Board), which consists of an elected supervisor from each of five districts. The Board is responsible for, among other things, passing ordinances, adopting budgets, appointing committees, and appointing the County Administrative Officer (CAO). The CAO, in turn, appoints the non-elected department heads that are not otherwise appointed by law. The County has six elected department heads responsible for the offices of Assessor-Recorder, Auditor-Controller/Treasurer-Tax Collector, Clerk-Registrar of Voters, District Attorney, Coroner-Public Guardian and Sheriff. The following organization chart reflects the various functional categories reported in the government-wide Statement of Activities, and identifies principal officials in each area.

Board of Supervisors

Phil Larson	Susan B. Anderson	Henry R. Perea	Judy Case	Deborah Poochigian
District 1	District 2	District 3	District 4	District 5

John Navarrette
County Administrative Officer

Kevin Briggs
County Counsel

Public Protection	Health Sanitation & Public Assistance	Public Ways & Facilities	Education	Culture & Recreation	General Government
Margaret Mims Sheriff	Judy Lemos, Interim Director Social Services	Alan Weaver Director/Public Works & Planning	Laurel Prysiazny - County Librarian	Alan Weaver Director/Public Works & Planning	Paul Dictos, CPA Assessor-Recorder
Elizabeth A. Egan District Attorney	Edward L. Moreno, MD Director/Health Officer-Public Health	Carol N. Hafner Agricultural Commissioner/Sealer of Weights & Measures	Steve Vasquez Cooperative Extension		Vicki Crow CPA Auditor-Controller/ Treasurer-Tax Collector
Linda Penner Chief Probation Officer	Donna Taylor Director/ Behavioral Health				Arpi K. Apkarian, Deputy Director General Services
Kenneth K. Taniguchi Public Defender	Robert W. Bash, Child Support Services				Beth Bandy Deputy Director Personnel Services
David M. Hadden, MD Coroner-Public Administrator/Guardian					Gary Osmondson Chief Information Officer
Victor E. Salazar County Clerk/Registrar of Voters					

The County, with an average of 6,843 full-time equivalent employees, provides a full range of services to its residents as the above organization chart depicts. Included in reported operations are various component units which provide specific services county-wide or to distinct geographic areas within the County. They include, among others, the Fresno County Employees' Retirement Association (FCERA), multiple County Service Areas (CSA's), the Fresno County Financing Authority (FCFA), the Fresno County Tobacco Funding Corporation, Fresno County Redevelopment Agency and the Children and Families Commission. While these entities are legally separate from the County, the County has some financial accountability for them, their governing bodies are substantially the same as the County's Board and in most cases they provide services exclusively to the County.

For financial planning and control, the Board adopts an annual appropriated budget for the County. Activities of the General Fund, most Special Revenue funds, and the Debt Service fund, are included in the annual budget. Budgetary control is exercised at the department level in both the General and Special Revenue funds. The legal level of control is at the object level except for capital assets which are controlled at the sub-object level. Project-length financial plans are adopted for capital improvements. The County also maintains an encumbrance accounting system to assist with budgetary control. Encumbered appropriations supported by a written commitment do not lapse at year-end; encumbrances outstanding at that time are reported as reservation of fund balance for the following year's budget. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

The County of Fresno internet site at http://www.co.fresno.ca.us provides extensive information about County government and its services to the citizens of Fresno County and to those who visit. The County's website includes information about the Board, including how to contact the Board, and provides Board Agendas, County job listings, bid solicitations, County directories, information on how to appeal assessments, voter information, County permits and forms, and financial information such as the County tax rate book, the annual budget, and recent CAFRs. The site also provides several online services, including the ability to view both live and archived Board meetings, look up election results and polling places, and pay property taxes.

ECONOMIC OVERVIEW

Fresno County serves as a financial, trade, commercial and educational center for central California. The County is one of eight counties in the valley that routinely accounts for one-half of California's agricultural production. In addition to an extensive highway and road system, several motor freight carriers and a railway network, the County is also home to Fresno Yosemite International Airport which provides both passenger and cargo services.

However, the County's current economic state continues to be difficult with stagnant home prices, continued problems in mortgage markets, tight credit availability, and significant job losses that continue to batter the economy of California and Fresno County. California has the largest labor market in the U.S. From its peak in fiscal year 2006-07 through fiscal year 2009-10, California nonfarm payrolls fell by 902,000 jobs or 5.96%. Nonfarm payrolls for fiscal year 2010-11 increased by 80,200 jobs or 0.58%. This minimal job growth is in line with national trends, which show the economy has effectively stalled. The outlook for the State economy is for moderate growth through 2011, followed by better growth in 2012 and 2013.

After years of strong growth in the County's economy, the recession conditions over the past two years have resulted in a decline in property and sales tax revenues. Property tax revenues have declined by 12.19% from FY 2008-09 while sales tax revenues have declined by 39.00% from FY 2008-09. The slumping housing sector and mortgage crisis has slowed the residential building industry and some property has been re-assessed to a lower value. The number of appeal assessments filed by property owners in fiscal year 2010-11 remained steady at 3,856. Water delivery constraints continue to hamper expanded agricultural production with thousands of acres of crop land still idle.

The County's unemployment rate is typically higher than the State's or the national average due to the seasonal nature of its large agricultural employment base. The County's unemployment rate ranged to a high of 18.4% during the fiscal year with a summertime level of 15.6% reflecting the availability of seasonal agricultural jobs. These rates contrast with the 20 year low of 9% in 2006 and a 9.21% average for fiscal year 2007-08.

The County remained the leading agricultural county in the state and nation. Total gross production in 2010 increased by 11.17% over 2009, exceeding the five billion dollar mark for a fourth consecutive year. While agriculture currently accounts for 14.41% of wage and salary employment, other important sources of employment include services 34.11%, government 20.59%, trade, transportation and utilities 20.07%, construction 3.64% and manufacturing 7.62%. In recent years, agriculture jobs have declined due to increased efficiencies, farm consolidations, farm land retirements and tight water supplies that continue to keep agricultural employment lower than in previous years. Construction jobs continued to drop due to the poor housing market.

MAJOR INITIATIVES, SERVICE EFFORTS AND ACCOMPLISHMENTS

Current Financial Planning

The County maintains the largest road system in California covering over 3,527 miles of roads including 530 bridges. The 2011-2012 Road Fund adopted budget totals $57.9 million, which reflects a decrease of 23.31% from the prior year's adopted budget. The adopted budget includes funding from the proposed "Transportation Funding Swap" in lieu of Proposition 42 funds and reserves from the Road Fund. It also reflects a decline in Federal revenue. Major projects anticipated include the final phase of the Measure "C"Academy Avenue construction , federally funded Manning Avenue and Crawford Road to Hill Avenue reconstruction, three Safe Route to School Projects, Congestion Management and Air Quality shoulder improvements, one federal bridge replacement at the Outside Main Canal on Bass Avenue, and three projects with various levels of federal funding for intersection improvements at the intersection of North and Maple Ave, road improvements on Cedar Avenue from Lincoln to Adams, and a Highway Safety realignment project on Howard at Shaw Avenue. The 2011-2012 road maintenance program includes $23.47 million dedicated to pavement seals and maintenance overlays, contracted preventative maintenance, routine maintenance and traffic signs and striping. Approximately 30 miles of slurry seals on residential streets, 60 miles of chip seal projects, and 10 miles of asphalt concrete overlay projects are programmed.

In March 2002, the Board approved a 75% securitization of tobacco settlement revenues, which generated a par amount of $92,955,000 in bonds, with net proceeds of $75,722,815. These funds were used to construct the recently completed Juvenile Justice Campus. In April 2006, the County issued subordinate Tobacco Settlement Asset-Backed Bonds in the amount of $39,015,131 to fund future capital projects.

The new Juvenile Court Facility, constructed on the Juvenile Justice Campus, became operational July 2009. It is a shared-use facility, which includes court rooms occupied by the State of California and office space for staff from the District Attorney, Public Defender and Probation departments. The Juvenile Court Facility was funded with $55,350,000 of Lease Revenue Bonds issued in April 2007. A lease arrangement between the State and the County provides for the State to lease space, supplying a revenue stream to service approximately 50% of the related debt service.

In August 2009, the Board approved funding for the construction of a scaled back Coroner's facility to be located in the southwest quadrant of the new Juvenile Justice Campus. The construction of the facility began in 2010 and is funded with $20,400,700 of the remaining Tobacco Settlement Bond proceeds. Construction of the 14,370 square feet morgue building replaces the current inadequate facility which was built in 1948. Construction of the administration portion of this facility has been deferred and administrative staff will be split between the new Coroner Facility and a nearby building on the Juvenile Justice Campus. In May 2010 the Board approved the purchase of the Crocker Building for $3,700,000. This purchase was paid for with monies from the tobacco securitization bond endowment fund. In December 2010 the Board approved funding to implement repairs and alterations to the Crocker Building to support the Department of Social Services and meet requirements of the Americans with Disabilities Act. This work was completed in January 2011 utilizing Federal funding secured by the Department of Social Services. The West Fresno Regional Center was opened in January 2010 and building tenants will include a Fresno County Library branch, and the Departments of Employment and Temporary Assistance, Behavioral Health, Public Health, and Children and Family Services.

Long-term Financial Planning

The County's budget is strongly influenced by the State's fiscal budget. The State of California passed the FY 2011-12 State budget of $85.9 billion on June 28, 2011. For the third consecutive year California ended the prior period with a deficit, and the continuing deficits and expiration of temporary tax increases have created the need for further reductions in State spending. The first budget passed by legislature was vetoed by the Governor, resulting in the current revenue and expenditure plan. The budget includes a $15 billion reduction in expenditures achieved with substantial cuts in Health and Human Services Programs, Education, and realigning services to local governments. The FY 2011-12 budget contains provisions to allow up to $2.5 billion in additional cuts which can be triggered automatically if revenues fall short. These triggers will reduce funding to the University of California budget, eliminate state grants for local libraries, and reduce service hours for In-Home Supportive Services recipients.

The County's 2011-2012 adopted budget is $16 million less than the prior year and continues the salary savings enacted in the prior year budget. . The decrease is due to the lower State funding as well as to lower County discretionary revenues including sales and property tax revenues and vehicle license fees as a result of the recession. Significant budget reductions were made in all programs. The County will perform a mid-year review of budget surpluses and deficits and may recommend additional budget reductions. The effect of the recession on County revenues is anticipated to continue through at least the following year.

In an effort to address some of the area's biggest economic challenges, the County has entered into a Joint Powers Agreement to administer the Neighborhood Stabilization Program (NSP). The County continues to use NSP funds to purchase foreclosed and abandoned homes and rehabilitate and resell them to eligible homebuyers, and will include the provision of mortgage assistance in areas of the highest need as identified by the foreclosure data sources provided by the Department of Housing and Urban Development (HUD). The NSP will create jobs in the real estate and construction industry. Additionally, lenders, title companies, insurance companies, and other local professions will benefit.

American Recovery and Reinvestment Act of 2009 (ARRA) funding is being utilized to reduce high local unemployment and homelessness, alleviate economic distress and stimulate local construction and other jobs. The Employment and Temporary Assistance Department was awarded over $36 million in subsidized employment program, employment readiness training and job retention services funding. Through stimulus funding, the federal share of assistance payment costs for the Foster Care Adoptions Assistance, and In-Home Supportive Services Programs was increased by almost $11 million. The Children and Family Services Department has been awarded $1.6 million in Homeless Prevention and Rapid Re-Housing funding. Public Works and Planning was awarded Community Development Block Grant funding known as CDBG-R, to provide funds for CDBG eligible expedited infrastructure projects that can be under construction quickly and foster job creation and other long term economic impacts. In addition this department has received funding through Caltrans for additional roadwork. The District Attorney received an award of $181,000 for elder abuse prosecution and the Sheriff Department is using $769,000 to investigate internet crimes against children and to purchase vehicles and tasers.

As a part of the Capital Projects Plan, the County approved a County-wide development impact fee. The fee is designed to fund future public facilities and capital improvements to support growth within Fresno County. The fee became effective August 2008 and is being implemented in a phased in approach. It is not expected to generate significant amounts of funding until the fee is fully implemented and the local economy and housing market improve. On September 25, 2010, the County Board of Supervisors directed county staff to develop a County Ordinance that would suspend public facilities fees for a two-year period from the date of enactment of the ordinance.

RELEVANT FINANCIAL POLICIES

Investment

The County manages two separate pools of funds, each subject to different cash management practices; the Treasury Investment Pool (Pool) and the FCERA.

The Pool is comprised of all County and agency funds that are deposited in the County Treasury for operating purposes. A formal investment policy is administered by staff to ensure that investments satisfy legal guidelines, provide liquidity to meet the daily demands upon the Treasury, and provide the highest interest earnings within these constraints. A Treasury Oversight Committee is responsible for regulatory oversight.

Investments authorized under this policy include U.S. Treasury and agency obligations, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements, medium-term notes, the State's Local Agency Investment Fund (LAIF), mutual funds, and mortgage-backed securities. The policy further restricts investments such that the average weighted maturity of the Pool cannot exceed 550 days or 1½ years unless economic trends or market timing indicate such investments are beneficial.

The FCERA's Pension Trust Fund is governed by the Board of Retirement and asset management advisory firms administer investments. The Board has adopted an investment policy intended to provide sufficient benefits to plan participants within an investment structure that minimizes risk and maximizes investment return. Investments include common stocks, short-term corporate and government debt instruments, mortgage backed pass-through certificates and private market investments which includes real estate and alternative investments.

Reserves

During budget preparations the County establishes a Contingencies, General Reserves, and Designations budget to provide for unforeseen or emergency expenditures during the course of the fiscal year, and to accumulate funds in the General Fund for a designated use. General Fund Contingencies and Designations differ from General Reserves in that the Board can transfer Contingencies and Designations during the fiscal year to finance unanticipated expenditures. The General Reserves, however, is a portion of the fund balance that is not available to finance current year expenditures except in cases where the Board declares an emergency as defined by Government Code 29127. The Board can approve increases to Contingencies, General Reserves and Designations during the fiscal year.

As part of the County's debt policy, a "pay-as-you-go" financing policy has been deemed an acceptable use of unreserved fund balance to provide a cushion in the event of unanticipated revenue downturns and emergency situations. As of the date of this letter, the County is working to develop other policies for departmental reserves minimums and constraints that will guard against future deficits created by a dependency on fund balance and reserves during times of economic uncertainty.

Budget

Under State law, the County is required to approve an adopted budget by resolution for the County and dependent Special Districts, no later than October 2 of each year. The budget includes the operations of the County and other agencies whose affairs and finances are under the supervision and control of the Board of Supervisors. Before adopting by resolution, the Board of Supervisors holds a public hearing at which anyone may appear and testify on any item in the proposed budget.

Appropriations within the adopted budget will be controlled by the Board of Supervisors at the object level, except for fixed assets. Transfers of appropriations between expenditure objects, e.g. Salaries and Employee Benefits, Services and Supplies, Other Charges, and Fixed Assets require the approval of the Board of Supervisors.

The County Administrative Officer supervises and directs the preparation of the annual budget of the County for the Board of Supervisors and is responsible for its administration after adoption.

Debt Limitations

The County of Fresno abides by California Constitution Article XVI, section 18, which limits the amount of debt that the County may lawfully incur without approval of 2/3 of the qualified electorate: "(a) No county… shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose,…"

The County will evaluate legal limitations and affordability of debt prior to any new financing or refinancing. It is important for the County to consider its current debt levels as well as legal restrictions imposed by statute or by existing bond covenants. The County will employ specialized legal and financial advisors, as necessary, to assist in the evaluation of additional debt.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2010. The County has received this prestigious award for over thirty years. In order to be awarded a Certificate of Achievement, the County is required to publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the Government Finance Officers Association to determine its eligibility for another certificate.

Dedication

This CAFR is dedicated to the memory of Jason Derrick who passed away unexpectedly in November 2011 at the age of 48. Jason was an integral part of the Auditor-Controller/Treasurer Tax Collector management team and was a valued friend and coworker. Jason had been responsible for the preparation of the CAFR for the County of Fresno for the last seven years and the County of Fresno received the GFOA's Certificate of Achievement for Excellence in Financial Reporting each of those years.

Acknowledgments

I wish to express my appreciation to the staff of the Auditor-Controller/Treasurer-Tax Collector's Office, whose hard work, professionalism and dedication are responsible for the timely preparation of this report, and to Price, Paige & Company for their professional assistance. Finally, I would like to thank the Board and members of the Audit Committee for their continued efforts in planning and conducting the County's financial operations in a responsible and progressive manner.

Respectfully submitted,

Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Fresno
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

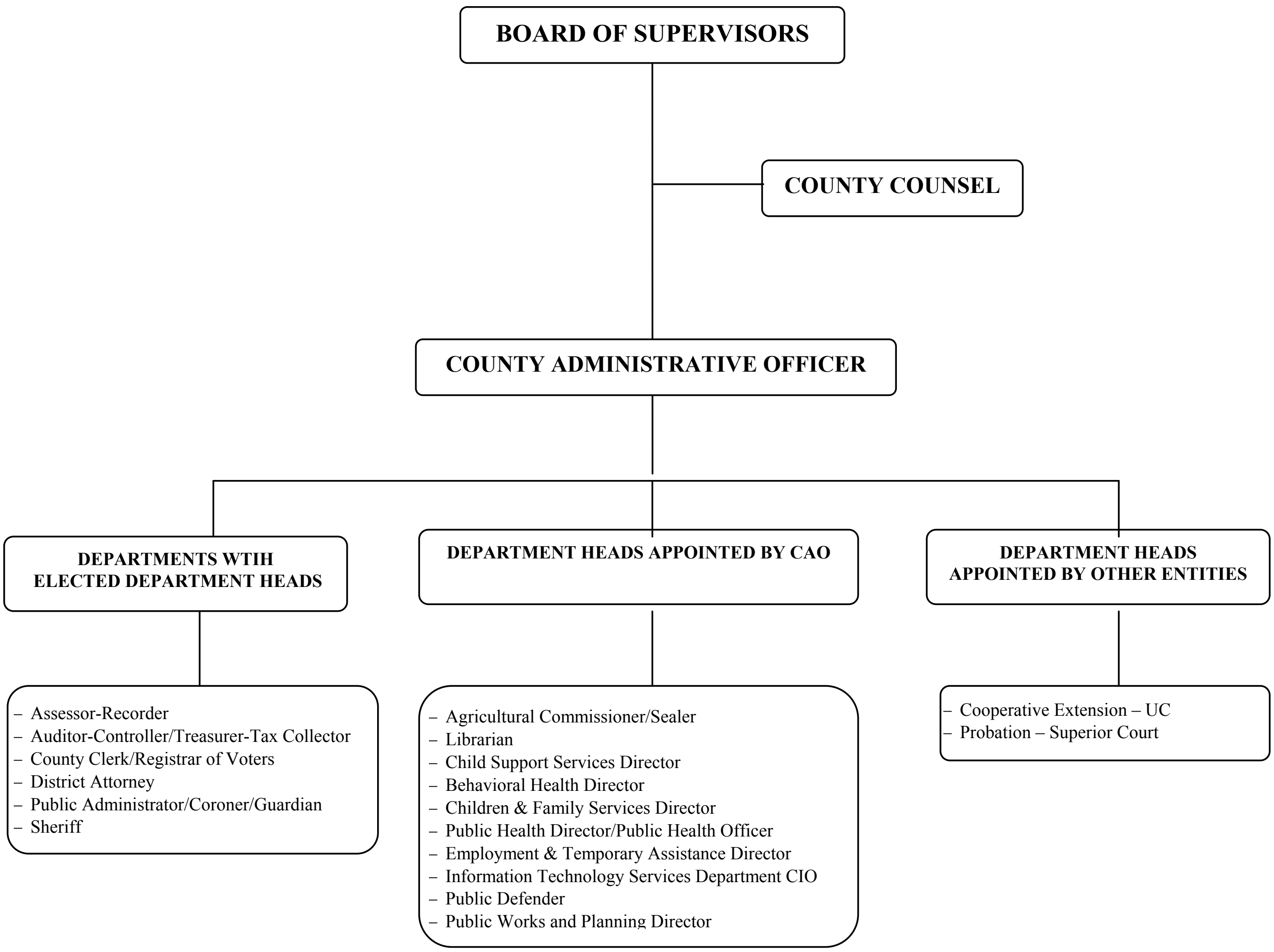
Linda C. Davison

President

Jeffrey R. Esser

Executive Director

COUNTY OF FRESNO ORGANIZATIONAL CHART



County of Fresno
List of Principal Officials
June 30, 2011

ELECTED OFFICIALS

Board of Supervisors:

Supervisor, District 1	Phil Larson
Supervisor, District 2	Susan Anderson
Supervisor, District 3	Henry R. Perea
Chairperson, Supervisor, District 4	Judy Case
Supervisor, District 5.	Debbie Poochigian
Assessor-Recorder.	Paul Dictos, C.P.A.
Auditor-Controller/Treasurer-Tax Collector.	Vicki Crow, C.P.A.
County Clerk/Registrar of Voters.	Victor E. Salazar
Coroner-Public Administrator/Guardian	David M. Hadden, M.D.
District Attorney	Elizabeth Egan
Sheriff	Margaret Mims

APPOINTED OFFICIALS

County Administrative Officer	John A. Navarrette
County Counsel	Kevin B. Briggs

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FINANCIAL SECTION

- Independent Auditor’s Report
- Management’s Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Fresno
Fresno, California

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 Fresno, California (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units:

- Fresno County Employees' Retirement Association (FCERA), which represents $3,515,561,000 of assets of the Fiduciary Funds.
- Children and Families Commission of Fresno County, which represents $32,354,000 of assets and $13,302,000 of revenue and is presented as a discrete component unit.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts for the FCERA and Children and Families Commission of Fresno County, are based on the reports 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

In accordance with *Government Auditing Standards,* we have also issued our report, dated December 23, 2011, on our consideration of the County's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards,* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress, the budgetary comparison information – General Fund and Road Fund 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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.

Price Paige & Company

December 23, 2011
Clovis, California

Management's Discussion and Analysis
(amounts expressed in thousands)

The County of Fresno's (County) discussion and analysis is designed to present a narrative overview of the financial activities of the County and an analysis of the County's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- At the close of the 2010-2011 fiscal year, the assets of the County exceeded liabilities by $1,103,497. This difference is referred to as "net assets". The County has unrestricted net assets of $320,067. The County's net assets also include restricted net assets of $180,807 representing assets which can only be used for specific purposes, and $602,623 representing the County's investment in capital assets, net of related debt.
- The County's long-term debt increased by $376. Long term debt totals $926,451 at June 30, 2011.
- The government's total net assets increased by $61,940. The governmental activities gain is $64,536 and business type activities loss is $2,596.
- As of June 30, 2011, the County's governmental funds reported combined ending fund balances of $378,941 which is an increase of $24,157 in comparison to the prior year. Approximately 48.1% of combined fund balances, or $182,242 is either nonspendable or restricted for specific uses; and 51.9%, or $196,699, is unrestricted to meet the County's current and future uses.
- The total fund balance in the County's primary operating fund, the General Fund, at year-end was $258,848. Approximately $86,556 is either nonspendable or restricted for specific uses. The remaining $172,292, which approximates to 15.5% of the General fund's total expenditures for the year, is unrestricted.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following narrative is an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

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. Therefore, the statements are reported using the accrual basis of accounting. Please refer to *Note 2, section (B)* on page 30 for further information on the accrual basis of accounting.

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

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by intergovernmental revenues and property and sales taxes (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities)*. The governmental activities of the County include general government; public protection; public ways and facilities; health, sanitation, public assistance; education; and culture and recreation. The business-type activities of the County include the Fresno County Solid Waste Enterprise (Landfill), the County Service Areas (CSAs), and the Crocker Building.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same Board as the County or provide services entirely to the County. Two examples of the County's blended component units are the Fresno County Financing Authority and the Fresno County Employees' Retirement Association (FCERA). The Children and Families First Commission (the Commission) is reported as a discretely presented component unit. This is because while there is some financial accountability by the Commission to the Board, services provided by the Commission are not provided solely to the County.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements present the County's financial activities in a traditional fund format. 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 finance-related legal compliance. The fund financial statements are reported using the modified accrual basis of accounting. See Note 2, section (B) on page 30, which explains the modified accrual basis of accounting. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 funds 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 the County'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 Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains twelve individual governmental funds. Information for the General Fund, Debt Service, and the Road Fund is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance. Data for the other governmental funds are combined into a single, aggregated presentation. Summary fund data by fund type and individual fund data for these non-major governmental funds is provided as other supplementary information in the form of *combining statements* found on pages 76-88 of this report.

The County adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement is provided for the General Fund and other governmental funds to demonstrate compliance with this budget. The County's General Fund and the Road Fund budgetary schedule are presented as Required Supplementary Information. Budgetary comparisons for all other governmental funds are provided as other Supplementary Information.

The governmental funds financial statements can be found on pages 16-19 of this report

Proprietary funds are generally used to account for services provided by the County where fees are charged for these services. The county maintains two different types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Landfill and CSAs' operations whose revenues are collected from external user fees. Internal service funds are used to report activities that provide supplies and services for certain County programs and activities. The County uses internal service funds to account for its fleet, information technology, warehouse, central printing, risk management, PeopleSoft software operations, facility services, security services, and communications functions. Substantially all of the revenues for the County's internal service funds come from other internal County departments. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements; however information is provided in more detail and includes cash flow statements. The Landfill and CSAs' operations are considered to be major funds of the County. The County's nine internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided as supplementary information in the form of combining statements can be found on pages 92-99 of this report.

The proprietary funds financial statements can be found on pages 20-23 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds, except for the agency funds, is much like that used for proprietary funds. Individual fund data for agency funds is provided as supplementary information in the form of combining statements. These statements can be found on pages 102-105 of this report.

The fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them. The notes can be found on pages 27-64 of this report.

Required Supplementary Information includes the General Fund and Road Fund Budgetary Comparison Schedules, along with the Fresno County Employees' Retirement Association (FCERA) Analysis of Funding Progress which provides information for the progress in funding of its obligation to provide pension benefits to County employees. Required supplementary information can be found on pages 66-71 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, internal service, and fiduciary funds, and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 76-105 of this report.

(amounts expressed in thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Prior period information is provided to facilitate comparative analysis between fiscal periods.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $1,103,497 at June 30, 2011.

Summary of Net Assets
June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Assets:						
Current and other assets	$ 1,262,672	$ 1,210,076	$ 83,552	$ 81,582	$ 1,346,224	$ 1,291,658
Capital assets	752,130	745,855	49,075	50,346	801,205	796,201
Total assets	2,014,802	1,955,931	132,627	131,928	2,147,429	2,087,859
Liabilities:						
Other liabilities	115,750	118,376	1,731	1,851	117,481	120,227
Long-term liabilities	888,819	891,858	37,632	34,217	926,451	926,075
Total liabilities	1,004,569	1,010,234	39,363	36,068	1,043,932	1,046,302
Net Assets:						
Invested in capital assets, net of related debt	557,748	573,855	44,875	46,012	602,623	619,867
Restricted	177,153	124,661	3,654	3,189	180,807	127,850
Unrestricted	275,332	247,181	44,735	46,659	320,067	293,840
Total net assets	$ 1,010,233	$ 945,697	$ 93,264	$ 95,860	$ 1,103,497	$ 1,041,557

The largest portion of the County's net assets, $602,623, represents its investment in capital assets (e.g. land, land improvements, buildings, equipment, infrastructure, intangible assets, construction in progress); less any outstanding debt used to acquire those assets. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future repayment of the debt. This debt repayment must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets of $180,807 represents resources that are subject to external restrictions on how they may be used.

The remaining balance for unrestricted net assets, $320,067, may be used to meet the government's ongoing obligation to citizens and creditors. For business-type activities and governmental-type activities, the County reported positive balances in all three categories of net assets.

Current and other assets increased by $54,566 from $1,291,658 to $1,346,224 or 4.1%. This increase over prior year was due to an increase in receivables of approximately $3,202, a decrease in pension assets of approximately 4,667 and an increase in the cash and restricted cash balance of approximately $55,259.

Capital assets increased by $5,004 from $796,201 to $801,205, or 0.6% from the prior year. The increase was primarily due to the construction of road projects and construction of a new Coroner facility.

Management's Discussion and Analysis
(amounts expressed in thousands)

The County's long-term liabilities increased by $376, from $926,075 to $926,451, or 0.04% from the prior year. This was primarily due to increases in the liability for self-insurance of $4,493 and closure and post-closure liability of 3,544 and decrease of $8,140 due to retirement of outstanding debt.

The following table indicates the changes in net assets for governmental and business-type activities:

Summary of Changes in Net Assets
For the Year Ended June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenues:						
Program revenues:						
Charges for services	$ 134,296	$ 130,719	$ 13,130	$ 11,075	$ 147,426	$ 141,794
Operating grants and cont.	786,733	1,085,032	-	-	786,733	1,085,032
Capital grants and cont.	10,353	13,536	-	-	10,353	13,536
General Revenues						
Property taxes	203,317	187,682	623	597	203,940	188,279
Sales taxes	103,174	96,956	-	-	103,174	96,956
Motor vehicle in lieu taxes	36,063	40,879	-	-	36,063	40,879
Franchise taxes	4,735	4,266	-	-	4,735	4,266
Tobacco settlement proceeds	12,089	10,205	-	-	12,089	10,205
Investment earnings	5,450	6,664	1,507	1,707	6,957	8,371
Miscellaneous	5,888	857	1,798	2,570	7,686	3,427
Total revenues	1,302,098	1,576,796	17,058	15,949	1,319,156	1,592,745
Expenses:						
General government	41,685	38,727	-	-	41,685	38,727
Public protection	298,354	304,096	-	-	298,354	304,096
Public ways and facilities	54,711	43,782	-	-	54,711	43,782
Health, sanit. & public assist.	770,169	1,088,733	-	-	770,169	1,088,733
Education	26,013	25,322	-	-	26,013	25,322
Culture and recreation	2,419	2,832	-	-	2,419	2,832
Interest on long-term debt	44,243	44,854	-	-	44,243	44,854
County service areas, other	-	-	5,554	5,621	5,554	5,621
Landfill	-	-	14,068	15,718	14,068	15,718
Total expenses	1,237,594	1,548,346	19,622	21,339	1,257,216	1,569,685
Increase(decrease) in net assets before transfers	64,504	28,450	(2,564)	(5,390)	61,940	23,060
Transfers	32	96	(32)	(96)	-	-
Increase(decrease) in net assets	64,536	28,546	(2,596)	(5,486)	61,940	23,060
Net assets beginning of year	945,697	310,783	95,860	100,913	1,041,557	411,696
Prior Period Adjustment	-	606,368	-	433	-	606,801
Net assets end of year	$ 1,010,233	$ 945,697	$ 93,264	$ 95,860	$ 1,103,497	$ 1,041,557

Governmental activities. Governmental-type activities increased the County's net assets by $64,536. This accounts for the majority of the total increase in net assets of the County. This represents a $35,990 increase in net asset growth from fiscal year 2009-10. This growth occurred as the result of a $12,847 decline in net expenses accompanied by a $23,143 growth in general revenues. Charges for service increase by $3,577 due to reclassifying medical payments from charges for services to operating grants. Operating grant revenue decreased by $298,299 primarily due to a change from prior year that excludes food stamp revenues as Supplemental Nutrition Assistance Program (SNAP) is administered at the State level in California and such revenue should not be reported in the County's CAFR. Property taxes increased by $15,635. This increase in property taxes is due to a slight increase in assessed values, a reduced property tax delinquency rate, and recognition of revenue from the Teeter program. Sales taxes increased by $6,218 as the consumer confidence moved up slightly.

Expenses for general government increased by $2,958 due to transfer of monies to the general fund from trust funds. Expenses for health and public assistance decreased by $318,564 due to the change in reporting for SNAP expenditures. Public ways and facilities increased by $10,929 due to increased expenditures for road building and repairing activities.

One point to keep in mind when analyzing the increases/decreases noted above, is the application of the accrual basis of accounting for the County's governmental activities. Governmental activities budget and subsequently issue fund financial statements that reflect their budget and accounting practices under the modified accrual approach. Under this approach, capital asset purchases and debt principal payments are expensed. Further, revenues are accrued if measurable and available within the County's availability period (established at 60 days for general revenue or 90 days for grant revenue). In contrast, the Statement of Activities (summarized here as "Summary of Changes in Net Assets") is reported under the full accrual basis of accounting, which capitalizes capital asset purchases, reduces liabilities by principal payments and recognizes revenues regardless of if they are available within the 60 to 90 day period. See the reconciliation on page 17 which further explains the difference between changes in the County's fund balance under the modified accrual basis and changes in net assets under the accrual basis of accounting.

Business-type activities. Business-type activities decreased the County's net assets by $2,596. The decrease in net assets from business-type activities is attributable to an increase in post-closure care expense and professional services.

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

At June 30, 2011, the County's governmental funds reported combined ending fund balances of $378,941, an increase of $24,157 in comparison with the prior fiscal year. Approximately 51.9% of this total amount, or $196,699, constitutes fund balance that is available for appropriation in the upcoming year. The remainder of the fund balance totaling $182,242 is restricted including $5,089 "not in spendable form" for items that are not expected to be converted into cash such as inventories and imprest cash balances that are long term in nature and thus do not represent available spendable resources, and $177,153 restricted for programs at various levels.

General Fund. The General Fund is the chief operating fund of the County. At June 30, 2011, unrestricted fund balance of the general fund was $172,292, while total fund balance was $258,848. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 15.5% of total fund expenditures less transfers, while total fund balance represents 23.3% of that same amount.

The fund balance of the County's General Fund increased $28,725 during the current fiscal year due to the build up fund for Proposition 63, the Mental Health Services Act funds.

Revenues for general fund without transfers totaled $1,110,723, which represents a 21.7% decrease from fiscal year 2009-2010. Tax revenue increased by $2,636, while state and federal aid decreased by $317,061 due to a change from prior year that excludes food stamp revenues as SNAP is administered at the State level in California and such revenue should not be reported in the County's CAFR . Use of money and property revenue decreased by $2,977 due to decreases in interest rates and cash balances available for investments. Other revenue increased by $9,916 due to a draw down of $3,600 for the purchase of the Crocker Building and the County received $4,900 of a mental health payback settlement.

Expenditures without transfers for the General Fund totaled $1,109,267 in fiscal year 2010-2011, which represents a decrease of 21.8% from fiscal year 2009-2010. The primary cause for the decrease is the exclusion of SNAP expenditures from the CAFR as the SNAP program is administered at the State level and these expenditures should not flow through the CAFR.

Road Fund. The Road Fund is used to finance operations to provide maintenance, rehabilitation, and reconstruction of County roads, bridges, and attendant facilities as authorized by California Streets and Highways Code and to provide for traffic safety. The Road Fund ended fiscal year 2010-11 with a $36,906 fund balance, a decrease of $3,294 or 8.2%. The fund balance decrease was primarily due to an increase in expenditures in the Road Fund with delayed reimbursements.

Revenues increased by $1,894 or 3.5% from fiscal year 2009-10. This increase was primarily attributable to a $6,041 decline intergovernmental revenues that was offset with a $2,475 increase in taxes and a $5,277 increase in charges for services.

Expenditures increased by $14,438 or 33.5% from fiscal year 2009-10. The increase was attributable to a $14,351 increase in charges for service and supplies.

The Road Fund budgeted estimated revenues of $73,990 with actual revenues received of $52,181, a variance of $21,809. This variance was caused by $13,560 in Proposition 1B funding, which was budgeted in fiscal year 2010-11 but was received in fiscal year 2009-10 and lower than anticipated revenues for charges for services in the amount of $7,583 due to slow project progress and delayed reimbursements.

The Road Fund budgeted charges to appropriations of $115,205 with actual charges to appropriations of $58,575, a variance of $56,630. The primary cause of this variance is that service and supplies are budgeted at a 3-year project term level with the actual charges for service and supplies reported for a one-year period. This difference in budgeting and reporting created a variance of $55,779 for fiscal year 2010-11.

Debt Service Fund. The Debt Service Fund is a major governmental fund. Fund balance increased $9,016 from $49,125 to $58,141. The increase is mostly due to the County reporting the Tobacco Funding Corporation as a special revenue fund in prior fiscal years. The County has implemented GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2010-11. Based on the definition of the governmental fund types, the County has reclassified the Tobacco Funding Corporation from a special revenue fund to a debt service fund in fiscal year 2010-11.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, except in more detail.

Landfill's have $73,116 in net assets at June 30, 2011, and the CSA's have $20,148. The Landfill's and CSA's unrestricted net assets are $40,607 and $4,128, or 55.5% and 20.5%, respectively of their total net assets. Overall net assets decreased $2,596 for the Landfill and CSA funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The total change between the original budget and the final amended budget was an increase of $31,901. Some of the significant differences between the original budget and the final amended budget are briefly summarized as follows:

- Department of Social Services received an increase in appropriations and revenue of $5,795 to make mandated payments to In-Home Supportive Services providers. The funds for this came from State and Federal Health Benefit revenues and additional realignment funds.

- Department of Behavioral Health received an increase in appropriations and revenue of $2,503 from two Short/Doyle Medi-Cal Cost Settlement appeals and an increase in Medi-Cal/EPSDT estimates. These amounts covered the shortfall in AB3632 funding and a loss of revenue related to Public Guardian operations Target Case Management.

- The Department of Social Services secured funding for Public Works in the amount of $3,000. This amount was used to increase appropriations for implementing repairs and alterations to the Crocker Building, including alterations to comply with the Americans with Disabilities Act.

- Sheriff Department appropriations increased by $1,311 to purchase and up-fit vehicles and equipment. The revenue comes from intrafund charges to the Department of Public Health, Civil Process Service, grants and other miscellaneous sources specifically for these projects.

- Department of Behavioral Health and Department of Social Services appropriations increased by a combined total of $3,461. An increase in revenue from an increase in Sales Tax receipts and the appropriations are to be used to offset expenditures within their budget organizations.

- The Capital Projects Division received an increase in appropriations and revenue in the amount of $3,151. The revenue is from American Recovery and Reinvestment Act grant funding. Various projects are being evaluated for suitable uses of the appropriations.

- General Services & Administration received an increase in appropriations of $3,615 to fund the purchase of the Crocker Building. The source of funding was 2006 Tobacco Tax Securitization Bonds.

- Various Public Protection increases in appropriations and revenue for the Sheriff Department totaling $3,591.

- The Interest and Miscellaneous Expenditures Organization received an increase to appropriations in the amount of $1,141 to cover maintenance at vacant facilities.

Actual General Fund revenues was $49,779, or 3.9% less than expected. The major budgeted revenue shortfalls occurred in intergovernmental revenues, which were $32,950 below target due to payment deferrals and diminished State and Federal allocations.

Actual General Fund expenditures fell below the total budget estimates by $77,070, or 6.0%. The savings were achieved by an array of continuous efforts to address the County's structural budget deficit.

- $13,171 decrease in salaries and benefits primarily due to elimination of vacation positions across all functions.
- $40,572 decrease in Services and supplies and $13,637 decrease in Others primarily due to reduction in contract and miscellaneous expenditure and savings from prudent spending.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2011, the County's investment in capital assets for its governmental and business-type activities, was $801,205. This investment in capital assets includes infrastructure, infrastructure in progress, land, right-of-way, buildings and improvements, equipment, intangible assets, intangible in progress, and construction in progress. The total increase in the County's investment in capital assets for the current period was $5,004.

Major capital asset projects during the current fiscal year included the following:

- Construction of the new Tranquility Library Branch.
- Construction of the new Coroner's facility.
- Completion of a new Juvenile Court facility.
- Construction of road projects.
- Kings River access project

For government-wide financial statement presentation, all depreciable capital assets except land, right-of-way, infrastructure in progress and construction in progress, were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

(amounts expressed in thousands)

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

County of Fresno's Capital Assets
(Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Assets:						
Infrastructure	$ 293,257	$ 302,043	$ -	$ -	$ 293,257	$ 302,043
Infrastructure in progress	46,273	23,204	-	-	46,273	23,204
Land	16,673	17,042	7,264	6,850	23,937	23,892
Buildings and Improvements	348,264	357,055	30,521	30,586	378,785	387,641
Equipment	25,024	30,235	7,582	9,671	32,606	39,906
Construction in prgress	12,671	3,457	3,708	3,239	16,379	6,696
Intangible assets	9,968	10,483	-	-	9,968	10,483
Intangible in progress	-	2,336	-	-	-	2,336
	$ 752,130	$ 745,855	$ 49,075	$ 50,346	$ 801,205	$ 796,201

For more detailed information on capital asset activity refer to the relevant disclosures (note 6) in the notes to the financial statements.

Infrastructure Assets

The County capitalizes and depreciates the value of bridges, streets and traffic lights using straight line depreciation. Right of way is treated as a non-depreciable asset. During fiscal year 2010-11, the County added infrastructure totaling $2,577. Accumulated depreciation for Infrastructure increased by $11,363.

Long-term debt

At June 30, 2011, the County had total long-term debt outstanding of $926,451, compared to $926,075 for the prior fiscal year. This amount was comprised of $47,189 in compensated absences, $3,817 in capital leases, $72,781 in liability for self-insurance, $769,607 in bonds payable, $33,057 in closure and post-closure care. Please refer to Note 9 on page 42 for further information on the County's long-term debt.

Economic Factors and Next Year's Budget and Rates

- The national, state and local economies continue to have a sluggish recovery from the recession. Fresno County has been particularly hard hit with numerous factors contributing to the situation that include the precipitous drop in the value of area homes, the drop in new construction, high foreclosure rates due to adjusted loan rates, extremely high unemployment, sluggish consumer sales, and overall uncertainty about the economic policies of government.

- Due to the County being heavily dependent on agriculture, it experiences chronically high unemployment, which places continual pressure on the County to provide adequate social and medical services. Additionally certain types of crime are considered high and public protection is a high priority to citizens.

- Due to the economy, the County's general revenue, sometimes referred to as discretionary revenue has declined. Both property and sales tax revenues have dropped. At the same time, the portion of the County's budget that relies on this revenue continues to experience increased costs due to general inflation, medical insurance, workers compensation, retirement increases and increases in service demands.

- Realignment funds support the County's social services, health and mental health programs. These are comprised of vehicle license fees and sales tax. Realignment funds remained comparable to the prior year totals, with only a slight increase of $92 thousand, affecting both the current year budget and the base available for budgeting next year.

- The State's fiscal crisis continues to severely impact County revenues. The State is implementing statewide budget cuts as 2011-12 fiscal year-to-date revenues have failed to meet FY 2011-12 budgeted revenue projections.

To the extent these factors were known, or could be estimated, they were considered in preparing the County's budget for fiscal year 2011-12. The County will make adjustments to its budget as necessary to deal with further expected State budget actions.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Auditor-Controller/Treasurer-Tax Collector, 2281 Tulare Street, Fresno, CA 93721.

Questions concerning any of the information provided in this report regarding the discretely presented component unit, Children and Families First Commission, or requests for additional information should be addressed to the Executive Director, 550 E. Shaw, Suite 215 Fresno, CA 93710.

County of Fresno
Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Children and Families Commission
ASSETS				
Cash and investments	$ 414,959	$ 54,353	$ 469,312	$ 25,424
Restricted cash and investments	17,152	28,291	45,443	-
Receivables				
Accounts (net of allowances for uncollectibles)	123,558	1,628	125,186	663
Taxes	55,598	-	55,598	-
Interest	1,161	292	1,453	-
Loans	42,672	-	42,672	-
Internal balances	1,181	(1,181)	-	-
Due from other governmental units	6,401	-	6,401	2,059
Inventories of supplies	5,794	9	5,803	-
Deposits and other assets	77	-	77	3,975
Deferred bond issuance charges	9,087	160	9,247	-
Pension Asset	585,032	-	585,032	-
Capital assets (net of accumulated depreciation):				
Land	16,673	7,264	23,937	27
Building and improvements	348,264	30,521	378,785	-
Equipment	25,024	7,582	32,606	-
Construction in progress	12,671	3,708	16,379	206
Infrastructure	293,257	-	293,257	-
Infrastructure in progress	46,273	-	46,273	-
Intangible	9,968	-	9,968	-
Total assets	2,014,802	132,627	2,147,429	32,354
LIABILITIES				
Accounts payable	44,922	677	45,599	19,492
Salaries and benefits payable	31,597	261	31,858	-
Loans payable	-	-	-	-
Interest payable	7,949	94	8,043	-
Due to other governmental units	11,048	404	11,452	-
Deposits and other liabilities	209	295	504	-
Unearned revenue	20,025	-	20,025	-
Noncurrent liabilities:				
Due within one year	71,150	302	71,452	-
Due beyond one year	817,669	37,330	854,999	73
Total liabilities	1,004,569	39,363	1,043,932	19,565
NET ASSETS				
Investment in capital assets, net of related debt	557,748	44,875	602,623	233
Restricted for:				
General government	67,268	-	67,268	-
Public Protection	2,038	-	2,038	-
Public ways and facilities	24,840	2,324	27,164	-
Health, sanitation and public assistance	3,918	-	3,918	-
Education	3,165	-	3,165	1,371
Capital projects	17,783	-	17,783	-
Debt service	58,141	1,330	59,471	-
Unrestricted	275,332	44,735	320,067	11,185
Total net assets	$ 1,010,233	$ 93,264	$ 1,103,497	$ 12,789

The notes to the financial statements are an integral part of this statement.

County of Fresno
Statement of Activities
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Function/Program								
Primary government:								
Governmental activities								
General government	$ 41,685	$ 21,579	$ 3,298	$ -	$ (16,808)	$ -	$ (16,808)	$ -
Public protection	298,354	65,412	92,646	-	(140,296)	-	(140,296)	-
Public ways and facilities	54,711	14,216	21,723	10,353	(8,419)	-	(8,419)	-
Health, sanitation, and public assistance	770,169	28,350	667,964	-	(73,855)	-	(73,855)	-
Education	26,013	3,318	1,102	-	(21,593)	-	(21,593)	-
Culture and recreation	2,419	1,421	-	-	(998)	-	(998)	-
Interest and fiscal charges	44,243	-	-	-	(44,243)	-	(44,243)	-
Total governmental activities	1,237,594	134,296	786,733	10,353	(306,212)	-	(306,212)	-
Business activities								
Water and sewer	5,554	3,033	-	-	-	(2,521)	(2,521)	-
Landfill	14,068	10,097	-	-	-	(3,971)	(3,971)	-
Total business-type activities	19,622	13,130	-	-	-	(6,492)	(6,492)	-
Total primary government	$ 1,257,216	$ 147,426	$ 786,733	$ 10,353	$ (306,212)	$ (6,492)	$ (312,704)	$ -
Component Unit:								
Children and families commission	$ 17,098	$ -	$ 12,545	$ -	$ -	$ -	$ -	$ (4,554)
Total component units	$ 17,098	$ -	$ 12,545	$ -	$ -	$ -	$ -	$ (4,554)

	Governmental Activities	Business-Type Activities	Total	Component Unit
General revenues:				
Property tax	203,317	623	203,940	-
Sales tax	103,174	-	103,174	-
Franchise tax	4,735	-	4,735	-
Unrestricted motor vehicle in-lieu taxes	36,063	-	36,063	-
Tobacco settlement proceeds	12,089	-	12,089	-
Other	4,816	2,229	7,045	29
Gain/(Loss) on sale of capital asset	1,072	(431)	641	-
Unrestricted investment earnings	5,450	1,507	6,957	728
Extraordinary item	-	-	-	(16,660)
Transfers in (out)	32	(32)	-	-
Total general revenues, extraordinary item and transfers	370,748	3,896	374,644	(15,903)
Change in net assets	64,536	(2,596)	61,940	(20,457)
Net assets - beginning	945,697	95,860	1,041,557	33,246
Net assets - ending	$ 1,010,233	$ 93,264	$ 1,103,497	$ 12,789

The notes to the financial statements are an integral part of this statement.

County of Fresno
Balance Sheet
Governmental Funds
June 30, 2011
(amounts expressed in thousands)

	General Fund	Debt Service	Road Fund	Other Governmental Funds	Total
ASSETS					
Cash and investments	$ 224,163	$ 40,859	$ 36,986	$ 24,954	$ 326,962
Restricted cash and investments	-	17,152	-	-	17,152
Receivables:					
Accounts (net of allowance for uncollectible)	94,952	6,657	11,819	9,291	122,719
Taxes	53,104	-	-	2,494	55,598
Interest	545	130	129	54	858
Loans	42,672	-	-	-	42,672
Due from other funds	15,490	-	202	4,428	20,120
Due from other governmental units	2,848	-	21	232	3,101
Advances to other funds	1,141	-	-	-	1,141
Inventory of supplies	2,979	-	1,845	39	4,863
Total assets	$ 437,894	$ 64,798	$ 51,002	$ 41,492	$ 595,186
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	$ 27,247	$ -	$ 5,848	$ 2,745	$ 35,840
Salaries and benefits payable	28,264	-	1,001	855	30,120
Due to other governmental units	7,151	-	3,581	178	10,910
Advances from other funds	-	-	-	150	150
Due to other funds	7,063	-	596	12,510	20,169
Deposits and other liabilities	89	-	-	-	89
Deferred revenue	109,232	6,657	3,070	8	118,967
Total liabilities	179,046	6,657	14,096	16,446	216,245
Fund balances:					
Nonspendable	3,200	-	1,845	44	5,089
Restricted	83,356	58,141	19,951	15,705	177,153
Assigned	39,138	-	15,110	9,297	63,545
Unassigned	133,154	-	-	-	133,154
Total fund balances	258,848	58,141	36,906	25,046	378,941
Total liabilities and fund balances	$ 437,894	$ 64,798	$ 51,002	$ 41,492	$ 595,186

The notes to the financial statements are an integral part of this statement.

County of Fresno
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

Fund balances - total governmental funds	$	378,941
Amounts reported for governmental activities of the net assets are different because:		
Capital assets are not recorded in governmental fund types but recorded in government-wide statement to conform with GAAP requirements.		726,184
Bond issue costs are not financial resources and, therefore, are not reported in the funds.		9,087
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. This amount is net of internal service fund activity.		(809,846)
Unmatured interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. This amount is net of internal service fund activity.		(7,949)
The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore not reported in the funds.		585,032
Because the focus of governmental funds is not short-term financing, some assets will not be available to pay current period expenditures. Those assets are offset by deferred revenues in the funds. This amount is net of internal service fund activity.		99,587
Internal service funds are used by management to charge the cost of fleet services, information systems, printing and mailing services, central warehouse, risk management and communications to individual funds. The assets and liabilities of the internal services funds are included in the statement of net assets.		29,197
Net assets of governmental activities	$	1,010,233

The notes to the financial statements are an integral part of this statement.

County of Fresno
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	General Fund	Debt Service	Road Fund	Other Governmental Funds	Total
REVENUES:					
Taxes	$ 199,432	$ -	$ 8,268	$ 22,722	$ 230,422
Licenses and permits	7,659	-	328	-	7,987
Fines, forfeitures and penalties	8,986	-	-	1,282	10,268
Use of money and property	3,876	864	619	386	5,745
Aid from other governmental agencies:					
State	452,100	-	23,163	68,932	544,195
Federal	323,639	-	9,676	112	333,427
Other	2,568	-	-	-	2,568
Charges for current services	82,066	-	13,116	2,957	98,139
Other revenues	30,397	8,580	145	261	39,383
Total revenues	1,110,723	9,444	55,315	96,652	1,272,134
EXPENDITURES:					
General government	40,359	-	-	-	40,359
Public ways and facilities	4,816	35	57,495	1,102	63,448
Public protection	293,043	-	-	-	293,043
Public assistance, health and sanitation	768,224	-	-	1,415	769,639
Education	634	-	-	25,641	26,275
Culture and recreation	2,191	-	-	-	2,191
Capital outlay	-	-	-	7,577	7,577
Debt service:					
Principal	-	25,042	-	-	25,042
Interest and fiscal charges	-	24,515	-	-	24,515
Total expenditures	1,109,267	49,592	57,495	35,735	1,252,089
Excess (deficiency) of revenues over (under) expenditures	1,456	(40,148)	(2,180)	60,917	20,045
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	948	-	-	124	1,072
Transfers in	120,833	52,576	-	56,701	230,110
Transfers out	(94,512)	(3,412)	(1,114)	(128,032)	(227,070)
Total other financing sources (uses)	27,269	49,164	(1,114)	(71,207)	4,112
Net change in fund balances	28,725	9,016	(3,294)	(10,290)	24,157
Fund balance - beginning	230,123	49,125	40,200	35,336	354,784
Fund balance - ending	$ 258,848	$ 58,141	$ 36,906	$ 25,046	$ 378,941

The notes to the financial statements are an integral part of this statement.

County of Fresno
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Net change in fund balances - total governmental funds		$	24,157
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.			
Expenditures for general capital assets, infrastucture and other related capital asset adjustments	38,627		
Less - current year depreciation expense	(28,726)		9,901
Bond issue costs and interest are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which the current year issuance costs and interest costs exceeded amortization expense and interest expense.			(937)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. This amount is net of internal service fund activity.			23,591
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 the governmental funds. This amount is net of internal service fund activity.			(20,403)
Certain revenues are deferred because they are not available within the County's 90 day availability period. However, they are recognized in the government-wide financial statements. Amounts at the beginning of the fiscal year are netted with those at the end of the fiscal year. This amount is net of internal service fund activity.			28,885
Internal service funds are used by management to charge the cost of fleet services, information systems, printing and mailing services, central warehouse, risk management and communications to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.			(659)
Change in net assets of governmental activities		$	64,536

The notes to the financial statements are an integral part of this statement.

County of Fresno
Statement of Net Assets
Proprietary Funds
June 30, 2011
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Enterprise	County Service Areas and Other	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 48,868	$ 5,485	$ 54,353	$ 87,997
Restricted cash and investments	26,961	1,330	28,291	-
Accounts receivable	1,249	379	1,628	497
Interest receivable	268	24	292	303
Due from other funds	147	209	356	3,539
Due from other governmental units	-	-	-	3,297
Inventory of supplies	9	-	9	932
Deferred bond issuance costs	-	160	160	-
Other assets	-	-	-	78
Total current assets	77,502	7,587	85,089	96,643
Noncurrent assets:				
Accounts receivable	-	-	-	341
Capital assets:				
Nondepreciable:				
Land	6,267	997	7,264	-
Construction in progress	1,655	2,053	3,708	1,349
Depreciable:				
Buildings and improvements	44,125	26,852	70,977	2,676
Equipment	15,113	5,205	20,318	70,994
Less accumulated depreciation	(36,975)	(16,217)	(53,192)	(50,134)
Intangible	-	-	-	20,265
Less accumulated depreciation	-	-	-	(19,205)
Total noncurrent assets	30,185	18,890	49,075	26,286
Total assets	$ 107,687	$ 26,477	$ 134,164	$ 122,929
LIABILITIES				
Current liabilities:				
Accounts payable	$ 390	$ 287	$ 677	$ 9,080
Salaries and benefits payable	191	70	261	1,477
Due to other funds	299	247	546	3,297
Due to other governmental units	404	-	404	139
Advances from other funds	-	991	991	-
Liability for self-insurance	-	-	-	72,781
Interest payable	-	94	94	-
Compensated leave and absences	109	53	162	1,065
Deferred revenue	-	-	-	643
Deposits and other liabilities	-	295	295	121
General obligation bonds payable	-	140	140	-
Capital lease obligations	-	-	-	1,667
Total current liabilities	1,393	2,177	3,570	90,270
Noncurrent liabilities				
Compensated leave and absences	121	92	213	1,310
General obligation bonds payable	-	4,060	4,060	-
Accrued closure/postclosure liability	33,057	-	33,057	-
Capital lease obligations	-	-	-	2,150
Total noncurrent liabilities	33,178	4,152	37,330	3,460
Total liabilities	34,571	6,329	40,900	93,730
NET ASSETS				
Invested in capital assets, net of related debt	30,185	14,690	44,875	22,128
Restricted				
Post-closure care and other	2,324	-	2,324	-
Debt service	-	1,330	1,330	-
Unrestricted	40,607	4,128	44,735	7,071
Total net assets	$ 73,116	$ 20,148	$ 93,264	$ 29,199

The notes to the financial statements are an integral part of this statement.

County of Fresno
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Enterprise	County Service Areas, Other	Total	Internal Service Funds
Operating revenues:				
Charges for services	$ 10,021	$ 3,033	$ 13,054	$ 164,188
Other operating revenues	76	1,539	1,615	2,295
Total operating revenues	10,097	4,572	14,669	166,483
Operating expenses:				
Salaries and benefits	3,485	1,285	4,770	28,375
Insurance	71	48	119	85,385
Professional services	2,091	1,055	3,146	6,226
Special departmental	1,656	518	2,174	9,079
General and administrative	808	193	1,001	9,724
Repairs and maintenance	1,257	841	2,098	5,552
Rents and leases	117	84	201	1,570
Parts and supplies	-	-	-	2,365
Accrued closure-postclosure	3,785	-	3,785	-
Utilities	60	471	531	9,819
Depreciation	738	767	1,505	6,491
Total operating expenses	14,068	5,262	19,330	164,586
Operating income (loss)	(3,971)	(690)	(4,661)	1,897
Non-operating revenues (expenses):				
Loss on sale of equipment	(431)	-	(431)	(816)
Interest income	1,395	111	1,506	1,441
Interest expense	-	(282)	(282)	-
Amortization bond issuance cost	-	(10)	(10)	-
Tax revenues	-	623	623	-
Closure/postclosure expense/fees	143	-	143	-
Grant and other revenues	19	529	548	-
Total non-operating revenues	1,126	971	2,097	625
Net income (loss) before transfers	(2,845)	281	(2,564)	2,522
Transfers in (out):				
Transfers in	-	258	258	266
Transfers out	(212)	(78)	(290)	(3,443)
Total transfers in (out)	(212)	180	(32)	(3,177)
Change in net assets	(3,057)	461	(2,596)	(655)
Net assets - beginning	76,173	19,687	95,860	29,854
Net assets - ending	$ 73,116	$ 20,148	$ 93,264	$ 29,199

The notes to the financial statements are an integral part of this statement.

County of Fresno
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Enterprise	County Service Areas, Other	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from users	$ 10,135	$ 3,118	$ 13,253	$ 170,177
Cash paid to suppliers	(5,893)	(3,306)	(9,199)	(103,397)
Cash paid to employees	(3,447)	(1,284)	(4,731)	(28,271)
Cash paid for claims	-	-	-	(20,547)
Cash received from other operating revenues	-	1,500	1,500	-
Net cash (used) by operating activities	795	28	823	17,962
Cash flows from non-capital financing activities:				
Tax revenues	-	631	631	-
Cash received from haulers and incorporated cities	267	-	267	-
Transfers out	(202)	(78)	(280)	(3,320)
Cash from/to closure/postclosure liability	(344)	-	(344)	-
Net cash provided by (used in) non-capital financing activities	(279)	553	274	(3,320)
Cash flows from capital and related financing activities:				
Proceeds from sale of equipment	249	-	249	-
Acquisition of capital assets	(124)	(755)	(879)	(1,612)
Principal paid on long-term liabilities	-	(135)	(135)	(2,332)
Interest paid on long-term liabilities	-	(285)	(285)	-
Proceeds from line of credit	-	265	265	-
Contributed capital	-	148	148	-
Net cash (used in) capital and related Financing activities	125	(762)	(637)	(3,944)
Cash flows from investing activities:				
Decrease in Investments	-	-	-	-
Interest on investments	1,519	125	1,644	1,685
Net cash provided by investing activities	1,519	125	1,644	1,685
Net increase in cash and cash equivalents	2,160	(56)	2,104	12,383
Cash and cash equivalents - beginning	73,669	6,871	80,540	75,614
Cash and cash equivalents - ending	$ 75,829	$ 6,815	$ 82,644	$ 87,997
Reconciliation of cash and cash equivalents to the balance sheet:				
Cash and cash equivalents in cash and investments	$ 48,868	$ 5,485	$ 54,353	$ 87,997
Cash and cash equivalents in restricted cash and investments	26,961	1,330	28,291	-
Total	$ 75,829	$ 6,815	$ 82,644	$ 87,997

The notes to the financial statements are an integral part of this statement.

County of Fresno
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Solid Waste Enterprise	County Service Areas, Other	Total	Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (3,971)	$ (690)	$ (4,661)	$ 1,897
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	738	767	1,505	6,491
Prior period adjustment	-	(10)	(10)	(100)
Decrease (increase) in accounts receivable	38	(21)	17	3,581
Decrease (increase) in interest receivable	-	1	1	-
Decrease (increase) in due from other funds	-	34	34	118
Decrease (increase) in inventory	3	-	3	(51)
Decrease (increase) in deposits and other assets	-	-	-	124
(Decrease) increase in accounts payable	133	(16)	117	1,732
(Decrease) increase in salaries and benefits payable	39	-	39	106
(Decrease) increase in deferred revenue	-	-	-	393
(Decrease) increase in due to other funds	-	(70)	(70)	772
(Decrease) increase in deposits held for others	(4)	-	(4)	-
Increase in due to developer deposits	-	33	33	-
Increase in due to other government units	34	-	34	-
Increase in closure/postclosure liability	3,785	-	3,785	-
Increase in liability for self-insurance	-	-	-	2,899
Total adjustments	4,766	718	5,484	16,065
Net cash provided by (used in) operating activities	$ 795	$ 28	$ 823	$ 17,962
Noncash investing, capital, and financing activities:				
Transfer of capital assets to government				(170)
Borrowing under capital lease				2,101

The notes to the financial statements are an integral part of this statement.

County of Fresno
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(amounts expressed in thousands)

	Employees' Retirement Association	Investment Trust	Agency
ASSETS			
Cash and investments	$ 350,535	$ 1,276,344	$ 198,384
Other investments			
Stocks	1,681,891	-	-
Bonds	784,034	-	-
Mortgages	43,193	-	-
Alternative assets	565,499	-	-
Taxes receivable	-	-	6,766
Accounts receivable	87,721	-	6,561
Due from other governmental units	-	-	1,420
Deposits and other assets	2,688	-	-
Property held by public administrator	-	-	9,101
Total assets	$ 3,515,561	$ 1,276,344	$ 222,232
LIABILITIES			
Accounts payable	$ 348,384	$ -	$ 12,465
Due to other taxing units	-	-	83,420
Due to other governmental units	-	4,518	64,526
Deferred revenue	-	-	399
Fiduciary liabilities	-	-	61,422
Total liabilities	348,384	4,518	$ 222,232
NET ASSETS			
Held in trust for pension benefits	3,167,177	-	
Held in trust for pool participants	-	1,271,826	
Total net assets	$ 3,167,177	$ 1,271,826	

The notes to the financial statements are an integral part of this statement.

County of Fresno
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Employees' Retirement Association	Investment
ADDITIONS:		
Contributions:		
Employer	$ 130,290	$ -
Member	31,293	-
Contributions of pooled investments	-	9,179,276
Total contributions	161,583	9,179,276
Investment income		
From investment activities:		
Net appreciation in fair value of investments	548,702	-
Interest	27,367	38,127
Dividends	24,316	-
Private markets	18,402	-
Net income from investment activities	618,787	38,127
From securities lending activities:		
Securities lending income	1,827	-
Borrower rebate expenses	(331)	-
Security lending management fees	(281)	-
Net income from securities lending activities	1,215	-
Miscellaneous income	354	-
Investment expense	(14,934)	-
Net investment income	605,422	38,127
Total additions	767,005	9,217,403
DEDUCTIONS:		
Benefits and refunds paid to participants	182,407	-
Disbursements on behalf of participants	-	9,304,208
Administrative expense	4,108	-
Total deductions	186,515	9,304,208
Net increase (decrease)	580,490	(86,805)
Net assets - beginning	2,586,687	1,358,631
Net assets held in trust - ending	$ 3,167,177	$ 1,271,826

The notes to the financial statements are an integral part of this statement.

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NOTE 1 - The Financial Reporting Entity

The County of Fresno (County) is a political subdivision chartered by the State of California (State) and, as such, can exercise the powers specified by the Constitution and laws of the State. The County operates under its Charter and is governed by an elected five member Board of Supervisors (Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, road construction, road maintenance, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and 1) either the County's ability to impose its will on the organization or 2) the potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations and data from these units is combined with data of the primary government. The discretely presented component unit, however, is reported in a separate column in the government-wide financial statements because it provides services that extend beyond the County.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County's Board. The financial statements of the individual component units may be obtained by making a request to the County of Fresno, Auditor-Controller/Treasurer-Tax Collector's Office, 2281 Tulare Street, Room 105, Fresno, California 93721.

Blended Component Units: The following organizations are included in the County's financial statements as blended components.

> Fresno County Employees' Retirement Association (FCERA) is reported as a Pension Trust Fund in the financial statements because it is an integral part of the County. A separate financial report can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.
>
> County Service Areas, Other (CSA's) which include County Service Areas, Lighting and Maintenance Districts and Waterworks Districts, are blended as Special Revenue funds and Enterprise funds because they are an integral part of the County and their governing bodies are comprised of the Board.
>
> The Fresno County Redevelopment Agency is reported as a Special Revenue fund in the financial statements because the Board is also the board of the Redevelopment Agency.
>
> The Fresno County Financing Authority (FCFA) was formed to finance the construction, installation and equipping of the County facilities. The bonds issued by the FCFA are recorded in the County financial statements. The FCFA and the County have a financial and operational relationship, which requires the FCFA's financial statements be blended into the County's

financial statements. The FCFA's policies are determined by a five-member board appointed by the Board.

The Fresno County Tobacco Funding Corporation is reported as a Debt Service fund in the financial statements because it is an integral part of the County. The Fresno County Tobacco Funding Corporation Board consists of members of the Board or members appointed by the Board. A separate financial report can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.

Discretely Presented Component Unit: The Children and Families Commission is governed by a nine-member board whose members are appointed by the Board which can also remove members at will. The Commission was created under the California Children and Families First Act of 1998. Revenue is derived from a state surtax on cigarettes and tobacco products. The revenue is used to create and implement a comprehensive and integrated system of information and services to promote, support, and optimize early childhood development. The Commission is a discretely presented component unit because the Commission's governing body is not substantially the same as that of the County and the Commission doesn't provide services entirely to the County. A separate financial report can be reviewed at the Children and Families Commission office located at 550 E. Shaw Avenue, Suite 215.

NOTE 2 - Summary of Significant Accounting Policies

(A) Basis of Presentation

Government-wide Financial Statements

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

The statement of activities presents a comparison between direct 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. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. 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.

When both restricted and unrestricted net assets are available for use, restricted resources are used prior to depleting unrestricted resources.

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. These funds are each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and combined in one column for reporting as non-major funds in the fund financial statements.

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

The County reports three major governmental funds:

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

- The *Debt Service Fund* accounts for all activities involving the issuance and payment of debt. This includes receipt of bond issuance proceeds, the distribution of those proceeds, along with the payment of principal and interest to extinguish the debt.

- The *Road Fund* provides for planning, design, construction, maintenance and administration of County transportation planning activities. Revenues consist primarily of the County's share of State Highway Use Taxes, Federal Grants, and Vehicle Code Fines and Fees.

The County reports both of its enterprise activities as major proprietary funds:

- The *Solid Waste Enterprise Fund* is used to account for the County's operation of one transfer station, three disposal sites located in various areas of the County, one planning joint powers agreement, and one administrative fund.

- The *County Service Areas, Other Fund* is used to account for special districts, governed by the Board, which include County Service Areas and Waterworks districts and one administrative fund . They were established to provide water and sewer services within specific areas of the County. This category also includes the Crocker Building which is a property management fund.

The County reports the following additional fund types:

Internal Service Funds account for the financing of goods or services provided by one County department to another County department on a cost reimbursement basis. Internal service funds account for the activities of fleet maintenance, centralized warehouse, centralized printing and mailing, centralized telecommunications, information services, the County’s financial software, and centralized facility services and security. In addition, the County's Risk Management Fund accounts for the County's self-insurance programs - worker's compensation, long-term disability, employee benefits, and personal injury and property damage, on a cost-reimbursement basis.

The *Pension Trust Fund* accumulates contributions from the County, its employees and other participating employers, and earnings from the fund's investments. Disbursements are made from the fund for retirement, disability and death benefits (based on a defined benefit formula), and administrative expenses. This fund includes all assets of the FCERA. The Pension Trust Fund uses the economic resources measurement focus and the accrual basis of accounting.

The *Investment Trust Fund* accounts for the investments of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, and regional boards and authorities. The Investment Trust Fund also accounts for tax collections passed through to cities. This fund reports the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand. This fund uses the economic resources measurement focus and the accrual basis of accounting.

The *Agency Funds* account for assets held by the County as an agent for various local governments. These funds do not have a measurement focus and use the accrual basis of accounting.

(B) Basis of Accounting

The government-wide, proprietary, investment trust, and pension trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. Other agency funds do not use a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes are accrued when their receipt is within sixty days after the end of the accounting period so as to be both measurable and available. Sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within ninety days after the end of the accounting 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.

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

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-in-lieu of taxes and other charges between the government's enterprise funds and the various other funds of the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. 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 non-operating revenues and expenses.

(C) Budgeting

In accordance with the provisions of Sections 29000 through through 29144 and Section 30200 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before October 2 for each fiscal year. Until the adoption of this final balanced budget, the appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget (County Budget) is available for review in the Auditor-Controller/Treasurer-Tax Collector's office.

A balanced operating budget is adopted each fiscal year for the General and Special Revenue funds and the Debt Service Fund on the modified accrual basis with some exceptions. The Tobacco Tax Funding Corporation is an exception, because it has no adopted budget. A budget is not adopted for the Capital Projects Fund. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the department level in both the General and Special Revenue funds. Some Special Revenue funds benefit multiple departments, while most operate under a single department. The legal level of control is at the object level except for fixed assets, which are controlled at the sub-object level. All amendments, expenditures that exceed appropriations and transfers of appropriations between levels within the same department or between departments within any fund are authorized by the County Administrative Office and must be approved by the Board. The Board must also approve supplemental appropriations financed by unanticipated revenues.

The General Fund and Road Fund Budgetary Comparison Schedule is part of Required Supplementary Information on pages 66-68. Special Revenue budget schedules are shown on pages 82 through 88. Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the General, Special Revenue, and Capital Project funds. Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

(D) Investments

Statutes authorize the County to invest its surplus cash (excluding cash belonging to the FCERA) 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 based upon the specific identification method. All pooled investments are reported at book value based upon the passive management and short duration of the portfolio that minimizes material changes in market value. The current year's book value, as reported, closely approximates fair value. FCERA investments are made subject to guidelines of the investment plan approved by the Retirement Board (see note 10). FCERA investments are reported at fair value. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by the real estate investment funds, futures investment managers, and alternative investment managers.

(E) Inventories and Prepaid Items

Inventories are valued at cost, which is determined on a first-in, first-out basis. Inventories in the General and Special Revenue funds consist of expendable supplies held for consumption. Inventories are charged to operations as consumed in both the government-wide and fund financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

(F) Capital Assets

Capital assets, including infrastructure, are recorded at historical cost, or at estimated historical cost, if the actual cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The County defines capital assets as assets with an initial, individual, cost of more than $5 for equipment, $100 for buildings, infrastructure and intangible assets. Capital assets also have an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (applicable to assets procured under capital leases) using the straight-line method over the lesser of the asset's estimated life (or capital lease period) in the government-wide statements and proprietary fund financial statements.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Depreciation on capital assets is taken over the following estimated lives:

Type of Asset	Estimated Useful Life in Years
Land	0
Buildings and improvments	20-50
Equipment	3-15
Infrastructure	40
Intangible	5-15

(G) Unbilled Service Receivables

The County does not record unbilled service receivables from the enterprise funds because they are insignificant.

(H) Liability for Earned Compensated Absences

The County reports a liability for compensated absences attributable to services already rendered as of the statements of net assets date. This liability is based on the probability that the County will eventually compensate employees for these benefits through paid time off, or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay or salary rates in effect at the balance sheet date and includes amounts for salary-related payments, such as Social Security and Medicare taxes. The County has included the liability within the government-wide financial statements and the proprietary fund financial statements.

(I) Bond Issuance Costs and 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 government activities; business-type activities, or proprietary fund statement of net assets. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount or premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, government fund types recognize bond discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

(J) Special Assessments

The total amount of special assessments for special districts paid at June 30, 2011 was $38,472. Special Assessments include both debt collection activity and fees for services provided by the special district. The County is not liable for this; rather, it acts solely as an agent for the special district, who are liable for the debt or providing the services. Accordingly, this liability is not reflected in these financial statements. The assessments are added to the tax bill in accordance with proposition 218.

(K) Cash and Cash Equivalents

Cash and cash equivalents as reported in the Statement of Cash Flows consist of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of three months or less.

(L) Restricted Cash and Investments

The County reports restricted cash and investments in the Debt Service Fund and the enterprise funds. Amounts reported in the Debt Service Fund and CSA, Other enterprise fund are restricted for debt service payments. Amount reported in the Solid Waste enterprise fund is money set aside based on estimate to cover closure costs and 30 years of postclosure maintenance costs to provide financial assurance once the landfills is closed.

(M) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(N) Prepaid Pension Asset

A prepaid pension asset is created when an employer pays into a retirement plan amounts in excess of it annual required contribution (ARC). The ARC is an actuarially calculated amount that is sufficient to fund future costs and extinguish any existing unfunded actuarial accrued liability (UAAL).

On March 19, 1998, the County made a payment of $183,632 to FCERA from the proceeds of the issuance of pension obligation bonds to reduce the County’s UAAL as calculated at that time. On March 23, 2004 the County made another payment of $398,010 to FCERA from the proceeds of an additional issuance of pension obligation bonds to reduce the County’s UAAL as recalculated, due primarily to the effect of the enhanced pension grated in 2002.

(O) Recently Issued Accounting Pronouncements

During the year ended June 30, 2011, the County implemented the following GASB Statements:

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under previous reporting standards, the County’s governmental fund balances were reported under three categories: reserved, unreserved, and designated. The new reporting standard replaces these three fund balance categories with five new classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Additional disclosure concerning the implementation of GASB 54 is available in Note 12.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus.* This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investments pools which improve financial reporting by providing more complete information, by providing consistency of measurements, and by providing clarifications of existing standards.

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Application of this Statement is effective for the County's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the County's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.* This Statement sets forth criteria to establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2012.

NOTE 3 - Property Taxes

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as of September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31. Property taxes are accounted for in the Property Tax Collection fund, an Agency fund, until apportionment and disbursement to taxing jurisdictions.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article XIIIA (known as Proposition 13) of the State of California Constitution, the County is permitted to levy a maximum tax of 1 percent of full cash value. For fiscal year 2010-11, the County recorded $203,940 in property taxes that were used to finance general governmental services.

Teeter Plan - The County elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County, through the Property Tax Collection fund, purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the Property Tax Collection fund records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including the County, special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the Property Tax Collection fund. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. Funding for the buyout has been incorporated into the County's Tax and Revenue Anticipation Notes.

NOTE 4 - Receivables

Taxes and accounts receivable balances for the General, Debt Service, Road Fund, and non-major governmental funds, Internal Service, and Proprietary funds are stated net of allowances for uncollectibles.

(amounts expressed in thousands)

The following is a schedule of receivables and allowances for uncollectibles applicable to each fund at June 30, 2011.

Receivables - Governmental activities	**General Fund**	**Non-major Funds/ Debt Service/Road Fund**	**Internal Service Funds**	**Total Governmental Activities**
Taxes	$ 53,104	$ 2,494	$ -	$ 55,598
Accounts	95,053	27,767	922	123,742
Interest	545	313	303	1,161
Loans	43,541	-	-	43,541
Gross receivables	192,243	30,574	1,225	224,042
Less: allowance for uncollectibles	(970)	-	(83)	(1,053)
Total	$ 191,273	$ 30,574	$ 1,142	$ 222,989

Receivables - Business type activities	**Solid Waste Enterprise**	**County Service Areas, Other**	**Total Business Type Activities**
Accounts	$ 1,251	$ 379	$ 1,630
Interest	268	24	292
Gross receivables	1,519	403	1,922
Less: allowance for uncollectibles	(2)	-	(2)
Total	$ 1,517	$ 403	$ 1,920

Loans Receivable

The County engages in programs designed to encourage construction or improvement of housing for persons with low to moderate incomes. Under these programs, loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with County terms. Since the County does not expect to collect these loans in the near term, they have been offset by restricted fund balance in the fund financial statements.

NOTE 5 - Interfund Transactions and Balances

Loans reported as receivables and payables are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund. 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.

(amounts expressed in thousands)

The composition of interfund balances as of June 30, 2011 was as follows:

	Due from Other Funds	Due to Other Funds
General fund	$ 15,490	$ 7,063
Road Fund	201	596
Non-major governmental funds	4,428	12,512
Proprietary funds	356	546
Internal service funds	3,539	3,297
	$ 24,014	$ 24,014

The following schedule briefly summarizes the County's transfer activity for the fiscal year ended June 30, 2011:

	Transfers In	Transfers Out
General fund	$ 120,833	$ 94,512
Debt service	52,575	3,412
Road Fund	-	1,115
Non-major governmental funds	56,702	128,032
Proprietary fund	258	290
Internal service funds	266	3,443
	$ 230,634	$ 230,804 *

* The difference of $170 is due to a transfer to the general fund of a capital asset by the Central Warehouse Internal Service Fund.

Transfers are comprised principally of transfers between the General and Special Revenue funds and are related to State/Local Program Realignment (AB 1288), Vehicle License Fees, and to debt service transfers to pay principal and interest payments on pension obligation bonds.

The following schedule briefly summarizes the County's advances between funds for the fiscal year ended June 30, 2011:

	Advances From Other Funds	Advances To Other Funds
General fund	$ -	$ 1,141
Non-major governmental funds	150	-
Enterprise funds	991	-
	$ 1,141	$ 1,141

(amounts expressed in thousands)

NOTE 6 - Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Retirements	Adjustments	Balance June 30, 2011
Government activities					
Capital assets, not being depreciated					
Land	$ 17,042	$ 46	$ (415)	$ -	$ 16,673
Construction in progress	3,457	9,217	(3)	-	12,671
Infrastructure in progress	23,204	23,919	(850)	-	46,273
Intangible in progress	2,336	-	(2,336)	-	-
Total capital assets, not being depreciated	46,039	33,182	(3,604)	-	75,617
Capital assets, being depreciated					
Buildings and improvements	492,996	3,701	(1,950)	-	494,747
Equipment	113,223	6,046	(10,196)	-	109,073
Infrastructure	507,830	2,577	-	-	510,407
Intangible	42,077	2,553	(531)	-	44,099
Total capital assets, being depreciated	1,156,126	14,877	(12,677)	-	1,158,326
Less accumulated depreciation for:					
Buildings and improvements	(135,941)	(11,645)	1,102	-	(146,484)
Equipment	(82,988)	(9,144)	8,084	-	(84,048)
Infrastructure	(205,787)	(11,363)	-	-	(217,150)
Intangible	(31,594)	(3,062)	525	-	(34,131)
Total accumulated depreciation	(456,310)	(35,214)	9,711	-	(481,813)
Total capital assets, being depreciated, net	699,816	(20,337)	(2,966)	-	676,513
Government activities capital assets, net	$ 745,855	$ 12,845	$ (6,570)	$ -	$ 752,130
Business-type activities					
Capital assets, not being depreciated					
Land	$ 6,850	$ 414	$ -	$ -	$ 7,264
Construction in progress	3,239	469	-	-	3,708
Total capital assets, not being depreciated	10,089	883	-	-	10,972
Capital assets, being depreciated					
Buildings and improvements	70,991	-	(14)	-	70,977
Equipment	22,912	30	(2,622)	-	20,320
Total capital assets, being depreciated	93,903	30	(2,636)	-	91,297
Less accumulated depreciation for:					
Buildings and improvements	(40,405)	(64)	13	-	(40,456)
Equipment	(13,241)	(1,441)	1,944	-	(12,738)
Total accumulated depreciation	(53,646)	(1,505)	1,957	-	(53,194)
Total capital assets being depreciated, net	40,257	(1,475)	(679)	-	38,103
Business-type activities capital assets, net	$ 50,346	$ (592)	$ (679)	$ -	$ 49,075

(amounts expressed in thousands)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	$	875
Public protection		11,739
Public ways and facilities		11,612
Health, sanitation, and public assistance		3,278
Education		1,019
Culture and recreation		202
Depreciation on capital assets held by the County's internal service fund is charged to the various functions based on their usage of the assets		6,489
Total depreciation expense - governmental functions	$	35,214

Depreciation expense was charged to business-type functions as follows:

Solid waste enterprise	$	738
County service areas, other		767
Total depreciation expense - business-type functions	$	1,505

NOTE 7 - Short-Term Borrowing

Each fiscal year the County issues Tax and Revenue Anticipation Notes (TRANs) to provide financing of seasonal cash flow requirements for the General Fund's current year expenditures and to discharge its obligations and indebtedness during this period. The principal of the notes and the interest thereon are paid from pledged property taxes and revenues the County expects to receive during the fiscal year.

Short-term debt activity for the year ended June 30, 2011 was as follows:

	Beginning Balance July 1, 2010	Draws	Repayment	Ending Balance June 30, 2011
TRANS	$ -	$ 86,000	$ (86,000)	$ -

(amounts expressed in thousands)

NOTE 8 - Leases

Operating Leases

The county conducts some of its operations from leased facilities. The total rental expense for the year ended June 30, 2011, for operating leases was $8,201.

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011:

Fiscal year ended June 30	Governmental Activities
2012	$ 8,111
2013	7,102
2014	6,364
2015	4,930
2016	4,299
2017-2021	12,366
2022-2026	8,942
Totals	$ 52,114

Capital Leases

The County has entered into certain capital lease agreements under which the related equipment will become the property of the County when all terms of the lease agreements are met. The County has also entered into similar capital lease agreements for buildings.

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, 2011:

Governmental activities	Total Payments	Imputed Interest	Net Present Value of Minimum Lease Payments
Fiscal year ended June 30			
2012	$ 1,817	$ 150	$ 1,667
2013	1,220	82	1,138
2014	855	29	826
2015	188	3	185
2016	4	-	4
Totals	$ 4,084	$ 264	$ 3,820

(amounts expressed in thousands)

The following is a schedule of property under capital leases segregated by major class at June 30, 2011:

	Governmental Activities
Buildings	$ 1,600
Equipment	20,746
Accumulated depreciation	(18,559)
Net	$ 3,787

NOTE 9 - Long-Term Debt

Long-term obligations of the County consist of bonds, capital lease obligations, post–closure care costs of landfills, earned compensated absences and a liability for self-insurance.

The following is a schedule of long-term liabilities for governmental activities for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amounts due within one year
Earned compensated absences	$ 46,341	$ 41,165	$ 40,692	$ 46,814	19,738
Capital lease obligations (Note 8)	6,026	2,101	4,310	3,817	1,667
Liability for self-insurance (Note 11)	69,883	26,260	23,362	72,781	26,265
Bonds payable	771,203	15,679	21,475	765,407	23,480
General long-term debt payable	$ 893,453	$ 85,205	$ 89,839	$ 888,819	$ 71,150

Compensated absences typically have been liquidated in the General, Other Governmental, Proprietary, and Internal Service Funds.

Capital lease obligations are discussed at Note 8. The County's liability for self-insurance is detailed at Note 11.

Pension Obligation Bonds

In March 2002, the County issued $117,055 in Taxable Pension Obligation Bonds, Refunding Series 2002 to advance refund a portion of the County's Taxable Pension Obligation Bonds, Series 1998. The 1998 Series bonds were originally issued in March 1998 in the amount of $184,910. The proceeds of the refunding issue were used to purchase U.S. Government Securities and to provide cash, which was placed into an irrevocable escrow account with a trustee bank. The purpose of the escrow account is to provide resources to service a portion of the 1998 Series when the respective bonds come due between August 2002 and August 2008. As a result, the refunded bonds are considered defeased and the liability is not reported in the government activities column of the statement of net assets. This advance refunding was undertaken to reduce the debt service requirements for the next six fiscal years by extending the overall payments by eleven years and resulted in a net present value loss of $7,704.

The portion of the County's taxable Pension Obligation Bonds, Series 1998 that were not refunded have various maturity dates between 2002 and 2008. The interest rates range from 6.01% to 6.26%. The County's taxable Pension Obligation Bonds, Refunding Series 2002 include both serial and term bonds. The serial bonds have various maturity dates between 2009 and 2014 with interest rates ranging between 6.06% and 6.45%. The term bonds mature in 2018 with an interest rate of 6.67% and a mandatory sinking fund redemption commencing in 2015. The 1998 Pension obligation bonds that were refunded in 2002 have matured.

In March 2004 the County issued Series 2004 A and B Pension Obligation Bonds for $327,898 and $75,000, respectively. These were issued to fund a portion of the County's unfunded accrued actuarial liability in the retirement system. The Series 2004 A Pension Obligation Bonds include current interest bonds, term bonds, and capital appreciation bonds. The Series 2004 B bonds were issued as auction rate bonds. The debt matures between 2005 and 2033. In September 2006, the Series 2004 B Pension Obligation Bonds were converted from auction rate to fixed rate securities.

The Debt Service fund is utilized to pay for pension obligation bonds. Payments for pension obligation bonds for the current year are shown as transfers out in the General, Special Revenue, Enterprise and Internal Service funds and as transfers-in in the Debt Service fund.

Lease Revenue Bonds

In February 2004 the Fresno County Financing Authority (FCFA), which was established to provide for the acquisition, disposition and/or financing of capital improvements and/or working capital for the County, issued $26,000 in lease revenue bonds for the Juvenile Justice Campus. The debt matures between 2006 and 2024.

The FCFA issued $14,375 of lease revenue bonds October 1, 2004 to fund the County's Energy Project. The majority of the debt issued was to fund a gas energy generating plant, which will produce energy for the County Jail and other facilities. The remaining portion was used to upgrade lighting and electrical fixtures. The source of funds to pay off the bonds is the savings incurred from the use of the generating facility and the new more efficient fixtures. The face value of the debt is $14,375, along with a premium of $75, and issuance costs of $375.

On April 16, 2007, the FCFA issued $55,350 in lease revenue bonds for the construction of a juvenile court and offices for joint occupancy and use by the County and the County of Fresno Superior Court. The Series 2007 Bonds consist of $25,605 in serial bonds maturing between 2010 and 2021 with interest rates ranging from 4.0% to 4.125%, and $29,745 in term bonds maturing between 2023 and 2030 with interest rates ranging between 4.3% and 4.75%. The County has entered into an agreement with the Administrative Office of the Courts to lease a portion of the building to the Superior Court.

Tobacco Settlement Asset-Backed Bonds

In July 2002 the California County Tobacco Securitization Agency (the Agency) issued $9,925 in Series 2002 asset-backed serial maturities and $83,030 in Series 2002 asset-backed term bonds. These bonds mature between 2005 and 2038. The interest rates for the asset-backed serial maturities range from 3% to 5%. The interest rates for the asset-backed term bonds range from 5.625% to 6.125%.

In April of 2006 the Agency issued the Tobacco Settlement Asset-Backed Bonds, Subordinate Series 2006 in the amount of $39,015. The Fresno County Tobacco Funding Corporation entered into a loan agreement with the Agency to borrow the bond proceeds and to secure the loan with County Tobacco Assets consisting of seventy-five percent of its rights to future tobacco settlement revenues. The 2006 Tobacco Bonds are turbo capital appreciation bonds, issued in four series and maturing in 2046 through 2055. The interest rates on the bonds range from 6.50% to 7.75%.

(amounts expressed in thousands)

The following is a schedule of future debt service requirements for governmental activities:

Fiscal Year Ended June 30	Principal	Interest	Total Payment
2012	$ 23,480	$ 25,430	$ 48,910
2013	26,060	24,223	50,283
2014	28,770	22,864	51,634
2015	31,710	21,339	53,049
2016	33,470	19,640	53,110
2017-2021	181,191	69,252	250,443
2022-2026	131,306	48,206	179,512
2027-2031	101,819	39,495	141,314
2032-2036	135,480	23,843	159,323
2037-2041	18,500	2,266	20,766
2042-2046	27,110	-	27,110
2047-2051	-	-	-
2052-2055	28,319	-	28,319
Sub-total	767,215	296,558	1,063,773
		-	
Less: Original issue premium	339	-	339
Original issue discount	(2,147)	-	(2,147)
Total	765,407	296,558	1,061,965

Capital Appreciation and Series Bonds

The County of Fresno has issued two series of capital appreciation bonds. The first series is the Series 2004 A Pension Obligation Bonds for $327,898. The second is the Series 2006 Tobacco Settlement Asset-Backed Bonds. Capital appreciation bonds are debt securities on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity, at which time the investor receives a single payment (the "maturity value") representing both the initial principal amount and the total investment return.

(amounts expressed in thousands)

The following schedule represents the capital appreciation bonds issued by the County of Fresno and the California County Tobacco Securitization Agency:

Pension Obligation Bonds

Series	Maturity Date	Interest Rate	Initial Principal Amount	Accreted Value at 6/30/11	Accreted Value at Maturity
2004A	August 15, 2033	1.3% to 5.67%	$ 327,898	$ 398,722	$ 711,250

Tobacco Securitization Tax Bonds

Series	Maturity Date	Interest Rate	Initial Principal Amount	Accreted Value at 6/30/11	Accreted Value at Maturity
2006A	June 1, 2046	6.50%	$ 16,606	$ 23,066	$ 216,420
2006B	June 1, 2046	6.65%	2,890	4,044	39,920
2006C	June 1, 2055	7.00%	9,757	13,893	286,800
2006D	June 1, 2055	7.75%	9,762	14,427	409,500
Total			$ 39,015	$ 55,430	$ 952,640

The following is a schedule of long-term liabilities for business-type activities for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due within one year
Earned compensated absences	$ 369	$ 366	$ (360)	$ 375	$ 162
Bonds	4,335		(135)	4,200	140
Closure and post-closure	29,513	3,544		33,057	-
Totals	$ 34,217	$ 3,910	$ (495)	$ 37,632	$ 302

Limited Obligation Improvement Bonds

In September of 1997 the Fresno County Financing Authority issued $5,392 limited obligation improvement bonds reported in the County Service Areas, Other fund with an average interest rate of 5.92% payable semi-annually to purchase infrastructure improvements for Quail Lakes, a planned community. The bonds are payable from assessments on the property owners within the district and are not payable from any funds of the County.

(amounts expressed in thousands)

The following is a schedule of future debt service requirements for business-type activities bonds:

Fiscal Year Ended June 30	Principal	Interest	Total Payment
2012	$ 140	$ 276	$ 416
2013	150	267	417
2014	160	257	417
2015	170	246	416
2016	180	234	414
2017-2021	1,105	963	2,068
2022-2026	1,530	525	2,055
2027-2028	765	52	817
Sub-total	4,200	2,820	7,020
Less: Unamortized deferred			
Charges for defeasance	-	-	-
Original issue discount	-	-	-
Total	$ 4,200	$ 2,820	$ 7,020

Landfill closure and post-closure costs

The County accounts for all solid waste landfill closure and post-closure costs based on the provisions of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs." State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure costs as an operating expense and liability in each period based on landfill capacity used as of each balance sheet date.

The County owns a solid waste landfill which is currently operating, the American Avenue Disposal Site, as well as two landfills which ceased accepting waste in fiscal year 1991and 2010, the Southeast Regional Disposal Site and the Coalinga Disposal Site, respectively. Southeast Regional completed its closure activities during fiscal year 1998-99 and began post-closure activities which are still ongoing as of June 30, 2011.

The $33,057 reported as landfill closure and post-closure care liability at June 30, 2011, represents the cumulative amount reported to date based on the landfill capacity used to date. The County will recognize the remaining estimated cost of closure and post-closure care of $42,249 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all remaining closure and post-closure care as of June 30, 2011. The total current cost of landfill closure and postclosure care is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

(amounts expressed in thousands)

The percentage of landfill capacity used to date, the estimated remaining landfill life, the liability for closure and post-closure care at the balance sheet date, and the estimated remaining local closure and post-closure costs to be recognized for the three landfills are as follows:

Landfill	Capacity used at June 30, 2011	Estimated Years Remaining	Total Estimated Liability June 30, 2011	Liability Recognized June 30, 2011	Remaining Liability to be Recognized
American Avenue	34.91%	40	$ 64,905	$ 22,656	$ 42,249
Coalinga	49.30%		5,064	5,064	-
Southeast Regional	100.00%		5,337	5,337	-
Totals			$ 75,306	$ 33,057	$ 42,249

The increase from 2009-2010 in the closure and post-closure care liability for American Avenue and the increase for Coalinga in closure and post-closure care liability is reported as an operating expense in 2010-2011. Closure and post-closure costs for Southeast Regional are reported as non-operating expenses. The County is required by state and federal laws to finance closure and post-closure care. Amounts collected from current users for these costs are reported in restricted cash and investments. Regarding the American Avenue Site, the County expects that future user fees and interest earnings over the remaining landfill lives will fund the closure and post-closure liabilities. Regarding the Southeast Regional and Coalinga Disposal Sites, the County expects any on-going costs to be funded from interest earnings and from quarterly payments from waste haulers and cities by agreement.

Additionally, Title 22 of the California Code of Regulations requires that counties finance certain closure and post-closure maintenance and monitoring activities for their hazardous waste disposal sites. Post-closure activities are required for a minimum of 30 years after closure. The County's Blue Hills Hazardous Waste Disposal Site, closed in the fiscal year 1992-93.

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 at June 30, 2011 does not expect to incur a liability.

NOTE 10 - Fresno County Employees' Retirement Association (FCERA)

Plan Description - The FCERA is governed by the Board of Retirement under the 1937 County Employees Retirement Law (1937 Act). Readers should refer to the 1937 Act for more complete information. The FCERA is a contributory defined benefit plan initially organized under the provisions of the 1937 Act on January 1, 1945. It provides benefits upon retirement, death, or disability of members. The FCERA is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno (County), including the Superior Court of California-County of Fresno, Clovis Veterans Memorial District, Fresno Mosquito and Vector Control District, and Fresno/Madera Area Agency on Aging. An employee becomes eligible for membership commencing with the pay period following the date of employment in a permanent position. The FCERA issues a stand alone financial report that can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.

Funding Policy - Contributions are made by the members and the employers at rates recommended by the FCERA's independent actuary and approved by the Board of Retirement and the County Board of Supervisors. Employee contribution rates vary according to age and classification (safety or general), and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 3.79% and 12.58% of their annual covered salary. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer contribution rates are determined pursuant to Section 31453 of the 1937 Act and are designed to provide funding for the remaining regular retirement and cost of living benefits, as well as all regular disability and survivor's benefits.

Benefit Provisions - The Board under the provisions of the 1937 Act administers benefit provisions. Benefits are based upon a combination of age, years of service, average monthly salary for the highest paid year of employment, the benefit tier, membership classification (general or safety) and the option selected by the participant. Disability and death benefits are additionally based upon whether the disability was service connected or not and whether the death occurred before or after retirement. Retirement benefit payments consist of regular retirement benefits, cost of living benefits, supplemental cost of living benefits, supplemental benefits or supplemental annuity benefits and health benefits. The supplemental cost of living and health benefits (non-vested) are subject to annual approval by the Board.

On June 18, 2007, the current Safety Tier II offered under Government Code section 32664.2 became mandatory for any new employee in a Safety job classification covered by a collective bargaining agreement negotiated by Service Employees International Union (SEIU). Mandatory Tier II extended to senior management and unrepresented employees with membership date on or after August 27, 2007.

The County of Fresno adopted a new retirement tier for General members (General Tier III) under Government Code Section 31676.15, effective December 31, 2007. General Tier II members represented by SEIU were automatically transferred to General Tier III effective December 31, 2007. General Tier III membership is mandatory for some bargaining units within the County of Fresno. General Tier II membership is mandatory for elected officials, department head, senior management, management and unrepresented effective with a membership date on or after August 27, 2007.

(amounts expressed in thousands)

The County's annual pension cost and prepaid pension asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2011 were as follows:

Annual required contribution	$ 130,290
Interest on beginning pension asset	(46,256)
Adjustment to annual required contribution	50,923
Annual pension cost	134,957
Contributions made	130,290
Increase (decrease) in pension asset	(4,667)
Net pension asset, beginning of year	589,699
Net pension asset, end of year	$ 585,032

The following table shows the County's annual pension cost (APC) and the percentage contributed, for the current year and each of the two preceding years:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2009	114,410	99.61%	592,137
6/30/2010	128,576	98.10%	589,699
6/30/2011	134,957	96.54%	585,032

The County has made its annual required contribution (ARC) for each of the past three years. The difference between the ARC and the APC is due to the amortization of the net pension asset.

FCERA funded status based on the most recent actuarial valuation performed by the Segal Company as of June 30, 2010 is as follows:

SCHEDULE OF FUNDED STATUS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Unfunded AAL Percentage of Covered Payroll
June 30, 2010	$2,983,044	$4,092,464	$1,109,420	72.9%	$408,861	271.3%

NOTE 11 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has established a Risk Management fund (an Internal Service fund) to account for and finance its uninsured risks of loss. The fund is also used to account for the unemployment benefits program and for employee medical coverage provided through contracts with various health maintenance organizations.

The Risk Management fund provides coverage of the general liability, workers' compensation, medical malpractice, and property other which consists of fire, bond, and miscellaneous insurance and damaged vehicle loss programs. General liability coverage is self-insured up to a maximum of $750 per claim. Excess coverage up to $25,000 per claim is provided through a risk pool agreement with the California State Association of Counties (CSAC) Excess Insurance Authority.

Crime bond coverage is self-insured up to a maximum of $2.5 per occurrence and excess coverage of $10,000 per occurrence is provided through a risk pool agreement with CSAC Excess Insurance Authority.

Pollution liability coverage is self insured for $100 per claim and excess coverage up to a maximum of $10,000 is provided through a risk pool agreement with CSAC Excess Insurance Authority.

Workers' compensation claims are self-insured up to a maximum of $500 per claim. Excess coverage up to a statutory amount per claim is provided through a risk pool agreement with CSAC Excess Insurance Authority.

The County is entirely self-insured for medical malpractice claims.

Property-other is self-insured up to a deductable of $25 per claim with a maximum of $602,500 in excess coverage per claim. Flood and earthquake coverage each have maximums in excess insurance of $25,000 in Towers VI. Excess insurance is provided through a risk pool agreement with CSAC.

Aircraft coverage has a maximum limit in excess insurance of $25,000 provided through a risk pool agreement with CSAC Excess Insurance Authority.

County departmental contributions to the workers' compensation, general liability, and medical malpractice programs are based on actuarial recommendations. The reported actuarial liabilities for workers compensation and general liability assume a long-term annual rate of return of 2.1 percent. The undiscounted actuarial liability for these programs is $68,578. Reserves for self-insurance for these programs include estimated liability amounts for claims filed against the County for their programs, as well as the estimated amount of claims incurred but not reported, as computed by the actuary. Contributions to the property damage, unemployment, and vehicle damage programs are based on actual historical claim loss experience.

The claims liability of $72,781 reported in the Risk Management fund at June 30, 2011 is based on the requirement that claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

(amounts expressed in thousands)

The claims liability includes all allocated loss adjustment expenses. While the ultimate amount of claims is dependent on future developments, management is of the opinion that the claims liability at June 30, 2011 is adequate to cover such claims. Changes in the Risk Management fund's claims liability amount during the last two fiscal years were as follows:

	June 30, 2011	June 30, 2010
Beginning of fiscal year liability	$ 69,883	$ 67,081
Current year claims provision and changes in estimates	26,260	35,330
Claim payments	(23,362)	(32,528)
Balance at fiscal year end	$ 72,781	$ 69,883

NOTE 12 - Fund Balance

As prescribe by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balance for government funds are made up of the followings:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

- Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the County’s Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally.

- Assigned Fund Balance – comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the County’s Board or (b) a body (for example: a budget or finance committee) or official to which the County’s Board has delegated the authority to assign amounts to be used for specific purposes.

- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

(amounts expressed in thousands)

Fund balances for all the major and nonmajor governmental funds as of June 30, 2011, were distributed as follows:

	General Fund	Debt Service	Road Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	$ 2,979	$ -	$ 1,845	$ -	$ 4,824
Postage/imprest cash	221	-	-	44	265
Subtotal	3,200	-	1,845	44	5,089
Restricted for:					
General government:					
Low-income housing	42,672	-	-	-	42,672
Equipment purchase/other purpose	24,596	-	-	-	24,596
Public Protection	1,534	-	-	504	2,038
Public way and facilities	-	-	19,951	4,889	24,840
Health, sanitation and public assistance	356	-	-	3,562	3,918
Education	-	-	-	3,165	3,165
Capital projects	14,198	-	-	3,585	17,783
Debt service	-	58,141	-	-	58,141
Subtotal	83,356	58,141	19,951	15,705	177,153
Assigned to:					
General government	34,498	-	-	-	34,498
Public Protection	3,480	-	-	-	3,480
Public way and facilities	1,160	-	15,110	-	16,270
Education	-	-	-	9,297	9,297
Subtotal	39,138	-	15,110	9,297	63,545
Unassigned	133,154	-	-	-	133,154
Total	$ 258,848	$ 58,141	$ 36,906	$ 25,046	$ 378,941

NOTE 13 – Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in Capital Assets, Net of Related Debt groups all capital assets, including infrastructure, into one component of net assets. 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 Assets reflects net assets that are subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor.

(amounts expressed in thousands)

- Unrestricted Net Assets represents net assets of the County that are not restricted for any project or purpose.

NOTE 14 - Restricted Cash and Investments

Cash and investments are restricted for various purposes in the governmental funds and proprietary funds. Restricted Cash and investments consist of the following:

Governmental funds:		
Debt Service		
Bond Repayment	$	17,152
	$	17,152
Enterprise funds:		
Solid Waste Enterprise		
American Avenue post-closure care - other	$	24,492
Corrective action		488
Coalinga post-closure		1,981
Subtotal		26,961
County Service Areas, Other:		
Bond repayment/construction		1,330
Subtotal		1,330
Total	$	28,291

NOTE 15 - Contingent Liabilities and Commitments

The County's budget is strongly influenced by the State's fiscal budget. The State balanced the States' budget in part by allowing the Vehicle License Fee Local Public Safety Account funding to sunset that resulted in a reduction of revenues to local justice programs and the State continued the suspension of funding for the Williamson Act that reduced County discretionary revenues.

The State passed ABx8 6 and ABx8 9 in March of 2010 that became effective July 1, 2010. This legislation contained provisions for the swap of state sales taxes on gasoline for a gasoline excise tax. As a result, Proposition 42 funds were eliminated from or the FY 2010-11 budget and replaced with new higher motor vehicle excise tax (HUTA) rate. The County received $9,404 from HUTA in FY 10-11 as compared to $8,889 from Prop 42 in FY 2009-10. The effective elimination of Proposition 42 did not eliminate the County's deferred Maintenance-of-Effort (MOE) payment of $5,569 from FY 2009-10. The County repaid $.6 of the deferred MOE in FY 2010-11 with an additional payment of $.1 due to be made in FY 2011-12. The remaining balance of $4,915 is to be repaid by June 30, 2015.

The County participates in many state and federal assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. The amounts, if any, of current or previous expenditures which may be disallowed upon future audits by the grantors cannot be determined until such an audit occurs. The County expects such amounts, if any, will not be material to its financial statements. Amounts have been accrued for disallowed expenditures resulting from completed audits.

(amounts expressed in thousands)

On November 5, 1996, California voters approved Proposition 218 which provides certain limitations over the ability of local governments within the State of California to impose, increase, and extend taxes, assessments and fees. This Proposition applies to all taxes, assessments, fees, and charges enacted or increased on or after January 1, 1995. The Board resolved to set forth initial procedures for bringing existing and new assessments, fees or charges into conformity with requirements of Proposition 218. The full impact of Proposition 218 on local government finances is difficult to assess and may be resolved only when the legislature enacts implementing statutes or a court ruling becomes available. Accordingly, no adjustments have been made to these financial statements for Proposition 218.

On August 27, 1996, the Board approved a master agreement with Community Hospitals of Central California (CHCC) to provide medical services for the indigent and inmate populations effective October 7, 1996. Valley Medical Center ceased operations as a County hospital on October 6, 1996 and its name changed to University Medical Center. The annual payment to CHCC for such services was $19,799 in FY 2010-11 and is budgeted for $20,319 in FY 2011-12 adjusted for inflation.

Numerous lawsuits are pending or threatened against the County. The County has recorded actuarially determined reserves in the internal service funds to adequately cover estimated potential material adverse losses at June 30, 2011.

Encumbrances outstanding for the General Fund, Road Fund and non-major funds are shown below:

	Encumbrances
General Fund for capital assets	$ 1,050
General Fund for other purposes	3,638
Road Fund for capital assets	21,395
Non-major funds for capital assets	4,914
Non-major funds for other purposes	281
	$ 31,278

(amounts expressed in thousands)

NOTE 16 - Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:		
Cash and investments	$	494,736
Restricted cash and investments		45,443
Fiduciary Funds:		
Cash and investments		4,899,880
Total cash and investments	$	5,440,059

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	$	18,272
Deposits with financial institutions		73,034
Investments		5,348,753
Total cash and investments	$	5,440,059

The following represents a condensed statement of net assets and changes in net assets for the Treasury Investment Pool as of June 30, 2011.

Statement of Net Assets

Cash and investments	$ 1,975,393
Less: warrants payable	(332,423)
Net assets held in trust for pool participants	$ 1,642,970
Equity of internal pool participants	$ 371,144
Equity of external pool participants (voluntary and involuntary)	1,271,826
	$ 1,642,970

Statement of Changes in Net Assets

Net assets at July 1, 2010	$ 1,728,937
Net change in investments by pool participants	(85,967)
Net assets held in trust for pool participants at June 30, 2011	$ 1,642,970

(amounts expressed in thousands)

Negative Internal Service Fund Cash

The County has several internal service funds with negative cash positions. When a fund is in a negative cash position the County creates a due to other funds in the fund with the negative cash position and a due from other funds in the general fund. After year end it was discovered that Facilities Services incorrectly recognized deferred revenue prior to June 30, 2011. This was subsequently reversed and is reflected as Due to other funds on the FY 2011 financial statements. If this had been corrected prior to year end the Facilities internal service fund would have had a negative cash position of $1,509. The following schedule represents the internal service funds in a negative cash position:

Internal Service Fund	Negative Cash Amount
Security Services	$ (101)
Graphic Communications	(322)
Total	$ (423)

Investments authorized by California Government Code and the County of Fresno Treasury Investment Pool Policy

The following table identifies the investment types that are authorized for the County by California Government Code (CGC), or the County of Fresno Treasury Investment Pool Policy (IP), where more restrictive. The table also identifies the more restrictive provision of the CGC or the IP that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investment of debt proceeds held by bond trustee's that are governed by the provisions of the County's debt agreements, rather than the general provisions of either the CGC or the IP.

Authorized Investment Types	Maximum Percentage Of Portfolio	Maximum Maturity
U.S. Treasury Bills, Notes and Bonds*	0 to 85%	5 Years
U.S. Government Agency Obligations*	0 to 85%	5 Years
Bankers Acceptances	40%	180 Days
Commercial Paper	40%	270 Days
Negotiable Certificates of Deposit	30%	13 Months
Non-negotiable Certificates of Deposit	50%	13 Months
Repurchase Agreements	15%	Overnight/Weekend
Local Agency Investment Fund	$40,000	5 Years
Medium Term Notes	30%	5 Years
Mutual Funds	20%	5 Years
Mortgage-Backed Securities	10%	5 Years

**Investments in US Treasury Bills, Notes and Bonds and US Government Agency Obligations may not exceed 85% of the money in the Treasury Investment Pool.*

(amounts expressed in thousands)

Investment Authorized by Debt Agreements

The County and its component units have $17,576 in investments held by bond trustees pledged to the payment or security of certain debt issues. These funds are invested in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements.

Interest Rate Risk

Interest rate risk is the risk that changes in the 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 maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

Information about the sensitivity of the fair values of the County's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the County's investments by maturity:

Pooled Investments in County Treasury and FCERA:

		Remaining Maturity (in months)					
	Totals	12 months or less	13 to 24 months	25 to 36 months	37 to 60 months	61 to 120 months	More than 120 months
U.S. Gov. Agency Obligation	$ 1,539,351	$ 115,964	$ 110,999	$ 305,554	$ 460,230	$ 467,531	$ 79,073
Medium-Term Corporate Notes	653,987	197,484	51,220	29,924	54,055	124,047	197,257
U.S. Treasury Notes	206,755	3,074	24,580	15,728	29,373	64,829	69,171
Asset Backed Securities	4,680	-	1,166	2,339	1,175	-	-
Asset Sweep Account	952	952	-	-	-	-	-
Securities lending - investments	250,675	250,675	-	-	-	-	-
Mortgages	43,193	-	-	-	-	118	43,075
Foreign fixed income	73,332	6,794	6,248	2,898	16,016	25,695	15,681
Global Bond Fund	10	-	-	-	-	-	10
Mutual Fund	68,259	68,259	-	-	-	-	-
Bank Account	181,959	181,959	-	-	-	-	-
Vault	18,272	18,272	-	-	-	-	-
Total	$ 3,041,425	$ 843,433	$ 194,213	$ 356,443	$ 560,849	$ 682,220	$ 404,267

Investments with Fiscal Agents:

		Remaining Maturity (in months)					
	Totals	12 months or less	13 to 24 months	25 to 36 months	37 to 60 months	61 to 120 months	More than 120 months
Federal Home Loan Banks	$ 7,591	$ -	$ 7,591	$ -	$ -	$ -	$ -
Federal Home Loan Mortgage Corporation	2,356	2,356	-	-	-	-	-
Federal Home Loan Mortgage Association	6,830	6,830	-	-	-	-	-
Federated Government Obligation Fund	508	508	-	-	-	-	-
Money Market Mutual Funds	291	291	-	-	-	-	-
Total	$ 17,576	$ 9,985	$ 7,591	$ -	$ -	$ -	$ -

Except as inherent by their nature as disclosed above, the County's investments (including those held by a bond trustee) are not highly sensitive to interest rate fluctuations.

(amounts expressed in thousands)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the CGC, or the IP, or debt agreements, and the actual rating as of year end for each investment type.

Pooled Investments in County Treasury and FCERA:

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Ratings as of the Year End 6/30/2011 A1/P1 A-AAA	B-BBB	C-CCC	Not Rated
U.S. Gov. Agency Obligation	$ 1,539,351	N/A	$ -	$ 1,504,835	$ -	$ -	$ 34,516
Medium-Term Corporate Notes	653,987	A3	-	390,385	135,384	1,750	126,468
U.S. Treasury Notes	206,755	N/A	206,755	-	-	-	-
Asset Backed Securities	4,680	AA	-	4,680	-	-	-
Asset Sweep Account	952	N/A	-	-	-	-	952
Securities lending - investments	250,675	N/A	-	250,675	-	-	-
Mortgages	43,193	B3	-	25,368	1,433	2,986	13,406
Foreign fixed income	73,332	B3	-	40,364	25,995	1,251	5,722
Global Bond Fund	10	N/A	-	-	-	-	10
Mutual Fund	68,259	N/A	-	18,259	-	-	50,000
Bank Account	181,959	N/A	-	-	-	-	181,959
Vault	18,272	N/A	-	-	-	-	18,272
Total	$ 3,041,425		$ 206,755	$ 2,234,566	$ 162,812	$ 5,987	$ 431,305

Investments with Fiscal Agents:

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Ratings as of the Year End 6/30/2011 A1/P1 A-AAA	B-BBB	C-CCC	Not Rated
Federal Home Loan Banks	$ 7,591	N/A	$ -	$ 7,591	$ -	$ -	$ -
Federal Home Loan Mortgage Corporation	2,356	N/A	-	2,356	-	-	-
Federal Home Loan Mortgage Association	6,830	N/A	-	6,830	-	-	-
Federated Government Obligation Fund	508	N/A	-	508	-	-	-
Money Market Mutual Funds	291	N/A	-	291	-	-	-
Total	$ 17,576		$ -	$ 17,576	$ -	$ -	$ -

(amounts expressed in thousands)

Concentration of Credit Risk

The IP does not limit the amount that can be invested in any one issuer beyond the limitations stipulated by the CGC. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total County's total investments are as follows.

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency Securities	$ 232,628
Federal Home Loan Bank	Federal Agency Securities	452,735
Federal Home Loan Mortgage Corp.	Federal Agency Securities	325,450
Federal National Mortgage Assn.	Federal Agency Securities	505,067

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that the County will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party if a depository institution fails. The custodial credit risk for *investments* is the risk that the County will not be able to recover the value of its investment or collateral securities held by another party if the counterparty (e.g. broker-dealer) to a transaction fails. The CGC and IP do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to *deposits*: The CGC requires any deposits of more than $250 must be collateralized at 110% to 150% of the value of the deposit to guarantee the safety of the public funds. The first $250 of the County's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the $250 insured amount are fully collateralized by the banks by pledging identifiable U.S. Government securities at 110% or more.

As of June 30, 2011, all of the County's deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts, as permitted by the CGC. As of June 30, 2011, all of the County's investments were held by the County itself or by a broker-dealer (counterparty) other than the broker-dealer used by the County to purchase the securities.

Investment in State Investment Pool

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the CGC under the oversight of the Treasurer of the State of California. The fair value of the County's investments in this pool is reported in the accompanying financial statements at amounts based upon the County's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the County's position in the LAIF pool.

FCERA Investment Portfolio

Derivatives. The investment derivatives schedule below reports the fair value and notional value of the derivatives held by FCERA at June 30, 2011. For reporting purposes, FCERA's derivatives are classified as investment derivatives. FCERA, through its external investment managers, enters into forward foreign currency contracts to hedge against changes in the fair values of foreign bonds and equity securities, primarily denominated in European and Asian currencies. It is possible that, due to foreign exchange fluctuations, FCERA may be exposed to a potential loss. At June 30, 2011, FCERA has approximately $14,000 of its $728,000 international equity portfolio hedged through the use of such forward foreign currency contracts. At June 30, 2010, approximately $7,000 of FCERA's $543,000 international equity portfolio was hedged through the use of such forward foreign currency contracts.

(amounts expressed in thousands)

Investment Derivatives

Investment Derivatives	June 30, 2011 Notional	June 30, 2011 Fair Value	Changes in Fair Value for 2011 Fair Value
Credit Default Swaps	$ 11,363	$ 106	$ 18
Interest Rate Swaps	48,002	(679)	(8)
Fixed Income Futures	12,549	-	920
Options	6,361	7	124
FX Forwards	13,417	3	(390)
Rights	139	20	366
Grand Totals	$ 91,831	$ (543)	$ 1,030

FCERA could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. FCERA anticipates that counterparties will be able to satisfy their obligations under the contracts. FCERA's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures, including requirements for collateral at certain defined levels. At June 30, 2011 FCERA did not hold any collateral to offset potential risks it may encounter through counterparty transactions. FCERA's counterparty exposure is detailed in the following schedule:

Counterparty Credit Risk

Counterparty Credit Ratings

Ratings	Credit Default Swaps	Interest Rate Swaps	Forward Foreign Currency Contracts	Total
Aa3	$ 20	$ 10	$ 12	$ 42
Aa2	11	-	-	11
Aa1	283	6	67	356
Subtotal Investments in Assets Position	314	16	79	- 409
Investments in Liability Position	(205)	(696)	(77)	(978)
Total Investments in Asset/ (Liability) Position	$ 109	$ (680)	$ 2	- $ (569)

(amounts expressed in thousands)

At June 30, 2011, FCERA was exposed to Foreign Currency Risk related to its investments in equity rights and forward contracts denominated in foreign currencies.

Foreign Currency Risks at Fair Value

		Forward Currency Contracts		
Currency Name	**Equities**	**Net Receivables**	**Net Payables**	**Total Exposure**
Canadian Dollar	$ -	$ 20	$ (13)	$ 7
Euro	20	17	(5)	32
Japanese Yen	-	(37)	8	(29)
Pound Sterling	-	(8)	21	13
Total	$ 20	$ (8)	$ 11	$ 23

The derivative securities included as equities above consist of rights. Foreign currency forward contracts are commitments to purchase or sell a stated amount of foreign currency at a specific future date.

Interest rate risk applies to derivatives such as Fixed Income Options, Credit Default Swaps and Interest Rate Swaps. At June 30, 2011, FCERA was exposed to the following interest rate risk on its investments in these securities. The table below displays the maturity periods of these derivative investments.

Interest Rate Risk for Derivatives

		Investment Maturities (in months)				
Investment Types	**Fair Value**	**Less than 12**	**13 to 60**	**61 to 120**	**More than 120**	**Total**
Credit Default Swaps	$ 109	$ (4)	$ 111	$ (19)	$ 21	$ 109
Interest Rate Swaps	(680)	-	(219)	16	(477)	(680)
Forward FX Contracts	2	2	-	-	-	2
Total	$ (569)	$ (2)	$ (108)	$ (3)	$ (456)	$ (569)

Securities Lending. The Board authorized FCERA, through its custodian bank, to enter into securities lending transactions, whereby securities owned by FCERA are loaned on a short term basis to various banks and brokers. Securities on loan include domestic and international stocks, US government agency and domestic bonds. All securities on loan must be collateralized at 102% of the market value of the loaned securities, except for non-United States based equities which are initially collateralized at 105%. Collateral may take the form of cash, commercial paper, certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, obligations issued or guaranteed as to interest and principal by the United States Government (or agencies or instrumentalities thereof), bank time deposits, variable rate demand notes, State Street Bank and Trust Company money market mutual fund and any common trust fund maintained by a bank or other financial institution or any commingled or pooled trust.

The lending agreement places no restriction on the amount of loans that can be made. FCERA's lending agent is authorized to invest and reinvest cash collateral, but it is not expressly permitted to pledge or sell securities collateral without borrower default. FCERA's agent invests cash collateral in individual securities and the securities are held by the trustee in FCERA's name. The maturities of the investments made with the cash collateral generally match the maturities of their securities on loan.

(amounts expressed in thousands)

Securities on Loan - At year end, FCERA had no credit risk exposure to borrowers because the collateral received exceeded the amount owed to borrowers. As of June 30, 2011 there were no violations of the securities lending provisions and no losses resulted within the securities lending program due to borrower default.

Reinvestment of Collateral - FCERA is subject to credit risk through the reinvestment of collateral cash which FCERA received at the time securities were placed on loan. The risk can include the devaluation of the underlying securities where the collateral has been reinvested. As of June 30, 2011, FCERA believes that if a borrower of a loaned security called on its collateral that it would be reasonably possible that devaluation would be experienced and due to market conditions FCERA would encounter difficulty finding a buyer to take on the reinvested security and thus making it uncertain when the collateral would become available.

FCERA is unable to quantify the dollar devaluation that would have existed if collateral had been called upon. Income from these transactions is reported on the statement of changes in plan net assets. Securities on loan are reported at fair value on the statement of plan net assets. The carrying value of the securities lending investment pool for 2011 and 2010 were $250,675 and $219,010 respectively. The fair values of loaned securities were as follows:

	June 30, 2011	June 30, 2010
Domestic equity	$ 138,526	$ 113,620
International equity	20,691	7,544
Total equity on loan	159,217	121,164
US government and agencies	55,186	56,151
Domestic bonds	32,013	35,184
Total bonds on loan	87,199	91,335
Total equities and bonds on loan	**$ 246,416**	**$ 212,499**

Highly Sensitive Investments - FCERA utilizes investments that are highly sensitive to interest rate changes in its actively managed fixed income portfolio. Highly sensitive investments include mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. FCERA's investment portfolio contains certain variable rate notes and collateralized mortgage obligations. At June 30, 2011 and 2010, FCERA had approximately $72,208 and $70,230 in these investments, respectively. A detail of these investments are listed below:

Investment Type	June 30, 2011	June 30, 2010
Asset Backed / Variable Rate Notes	$ 29,015	$ 26,078
Collateralized Mortgage Obligation	43,193	44,152
Forward Foreign Currency	14,282	7,233
Total	$ 86,490	$ 77,463

(amounts expressed in thousands)

Foreign Currency Risk

The risk is that FCERA will not be able to recover the value of its investment in local currency when the exchange value of the currency lowers. FCERA has not adopted a policy to manage the foreign currency risk. As of June 30, 2011, FCERA's investment in foreign currency was as follows:

Currency	Fair Market Value (US Dollars)
Australian Dollar	62
British Pound Sterling	410
Canadian Dollar	21
Danish Krone	248
Euro	822
Hong Kong Dollar	40
Japanese Yen	414
Mexico Peso	75
Norwegian Krone	134
Swedish Krona	33
Swiss Franc	56
Other foreign currency *	30
Total foreign currency	$ 2,345

* Other foreign currency consists of Israeli Shekel, New Zealand Dollar, and Singapore Dollar.

The Fresno County investment policy does not include specific provisions to address foreign currency risk as it does not hold foreign securities.

Note 17 – Deficit Fund Equity

As of June 30, 2011, the Facilities Service, Graphic Communication, Risk Management and Security Services internal service funds reported net deficits of $3,237, $409, $5,342, and $553, respectively.

Facilities Service. The Facilities Service fund incurred greater than anticipated expenditures for building maintenance and repair for occupied and unoccupied facilities. The County has taken steps to correct the financial imbalance by changing billing methodology, evaluating the rate development process, liquidating unoccupied facilities the County deems are no longer needed, and seeking tenants for unoccupied facilities that will be retained by the County.

Graphic Communication. The Graphic Communication fund projects were insufficient to generate enough revenues to cover expenses. To correct this financial imbalance, the County is evaluating the current operating structure to determine what changes can be made to bring revenues and expenditures into alignment.

Risk Management. The Risk Management fund is in the process of correcting the net deficit position as the fund reduced the net deficit position by $4,893 from $10,235 at June 30, 2010 to $5,342 at June 30, 2011 by increasing premium revenue and controlling expenditure growth.

Security Services. The Security Service fund is in the process of correcting the net deficit position as the fund reduced the net deficit position by $82 from $635 at June 30, 2010 to $553 at June 30, 2011 generating additional revenues from customers and controlling expenditures. The County continues to take steps to correct this financial imbalance by marketing security services to internal customers, revamping the organizational structure and business processes, and reducing overhead costs.

NOTE 18 - Subsequent Events

On July 1, 2011, the County issued Tax and Revenue Anticipation Notes (TRANs) totaling $78,000 due on June 29, 2012 at a coupon interest rate of 3.00% and a reoffering rate of 0.22%. The proceeds of the TRANs are intended to provide financing of seasonal cash flow requirements for the County's General Fund expenditures during the fiscal year ending June 30, 2012. The TRANs are general obligations of the County, but are payable only out of the taxes, income, revenues, cash receipts and other moneys received by the County for the General Fund during Fiscal Year 2011-12 that are lawfully available for payment of the notes and interest.

NOTE 19 - Extraordinary Item/Due to the State of California

Children and Families Commission of Fresno County

On March 24, 2011, the governor signed Assembly Bill 99 (AB 99) into law. AB 99 established the Children and Families Health and Human Services Fund (Fund). As specified in the legislation, the fund will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires $1 billion of the combined state and local children and families funds to be deposited in the Fund for the 2011-12 fiscal year. The amount required from each first five commission (AB 99 payment) represents 50% of the fund balance as of June 30, 2010. The liability for the Fresno Commission is $16,659,721 and is due by June 30, 2012. In accordance with the legislation, no 2012-2013 commission revenues will be paid until the full AB 99 payment is made. Accordingly, the Commission has accrued the AB 99 obligation as a liability at June 30, 2011. The liability has been reflected as an extraordinary item in the financial statements. The Commission is vigorously litigating the issue with other commissions in the State of California, although the final resolution is unknown at this time.

Required Supplementary Information
(Other than MD & A)

County of Fresno
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances, July 1	$ 1,394	$ 3,834	$ 72,927	$ 69,093
Resources (inflows):				
Taxes	197,556	197,556	199,833	2,277
Licenses and permits	7,864	7,880	7,525	(355)
Fines, forfeitures and penalties	9,284	9,679	8,867	(812)
Use of money and property	6,179	6,183	3,859	(2,324)
Aid from other governmental agencies:				
State	393,908	395,804	379,864	(15,940)
Federal	343,689	352,511	335,501	(17,010)
Other	3,277	3,277	2,534	(743)
Charges for current services	116,073	122,243	113,553	(8,690)
Other revenues	52,463	62,119	55,276	(6,843)
Transfers in	113,012	115,514	116,175	661
Total resources	1,243,305	1,272,766	1,222,987	(49,779)
Total budgetary balance and resources	1,244,699	1,276,600	1,295,914	19,314
Charges to appropriations (outflows):				
General government				
Salaries and benefits	30,413	30,816	30,026	790
Services and supplies	13,255	14,968	8,576	6,392
Other charges	1,399	1,254	1,132	122
Fixed assets	1	7,629	3,948	3,681
Total general government	45,068	54,667	43,682	10,985
Public protection				
Salaries and benefits	236,584	241,096	239,388	1,708
Services and supplies	57,068	62,107	53,102	9,005
Other charges	20,118	19,549	19,358	191
Fixed assets	175	2,384	1,057	1,327
Total public protection	313,945	325,136	312,905	12,231
Public ways and facility				
Services and supplies	380	380	335	45
Total public ways and facility	380	380	335	45
Health and sanitation				
Salaries and benefits	282,262	280,898	270,305	10,593
Services and supplies	193,247	199,373	174,264	25,109
Other charges	348,258	354,518	341,194	13,324
Fixed assets	100	100	-	100
Total health and sanitation	823,867	834,889	785,763	49,126
Education				
Salaries and benefits	425	433	432	1
Services and supplies	222	232	229	3
Total education	647	665	661	4
Cultural and recreation				
Salaries and benefits	1,660	1,686	1,607	79
Services and supplies	975	986	968	18
Other charges	1	1	1	-
Total cultural and recreation	2,636	2,673	2,576	97
Transfers out	58,156	58,190	52,971	5,219
Total charges to appropriations	1,244,699	1,276,600	1,198,893	77,707
Budgetary fund balances, June 30	$ -	$ -	$ 97,021	$ 97,021

County of Fresno
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Explanation of differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	$	1,222,987
Differences - budget to GAAP:		
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes		(116,175)
Receipts from sub-funds reclassified from County Agency Funds, not budgeted		40,327
Modified accrual basis of accounting to budgetary basis of accounting		(36,416)
Total revenue reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	$	1,110,723
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary schedule not including fund balance	$	1,198,893
Differences - budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(52,971)
Payments to sub-funds reclassified from County Agency Funds, not budgeted		29,577
Modified accrual basis of accounting to budgetary basis of accounting		(66,232)
Total expenditures reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	$	1,109,267

County of Fresno
Budgetary Comparison Schedule
Road Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances, July 1	$ 41,215	$ 41,215	$ 40,202	$ (1,013)
Resources (inflows):				
Taxes	6,871	6,871	8,063	1,192
Licenses and permits	200	200	383	183
Use of money and property	402	402	619	217
Intergovernmental revenues	48,337	48,337	32,383	(15,954)
Charges for current services	18,173	18,173	10,590	(7,583)
Other revenues	7	7	143	136
Total revenues	73,990	73,990	52,181	(21,809)
Charges to appropriations (outflows):				
Public ways and facilities:				
Salaries and benefits	20,100	20,100	19,412	688
Services and supplies	94,887	94,812	39,033	55,779
Other charges	100	100	52	48
Fixed assets	118	193	78	115
Total charges to appropriations	115,205	115,205	58,575	56,630
Budgetary fund balances, June 30	$ -	$ -	$ 33,808	$ 33,808

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources	
Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule	$ 52,181
Differences - budget to GAAP:	
Accruals due to differences between GAAP and the budgetary basis of Accounting	3,134
Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds	$ 55,315
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 58,575
Differences - budget to GAAP:	
Accruals due to differences between GAAP and the budgetary basis of Accounting	35
Transfers to other funds	(1,115)
Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds	$ 57,495

COUNTY OF FRESNO
Required Supplementary Information
Note to the Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011
(amounts in thousands)

BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 through 29144 and Section 30200, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County is required to prepare a balanced budget for each fiscal year on or before October 2. Budgeted expenditures are enacted into law through the passage of a resolution of adoption. The resolution of adoption specifies the maximum authorized expenditures for each budget unit for that fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County Board of Supervisors (County Board).

In May of each year, the County Administrative Officer prepares and submits the recommended budget document to the County Board. In June, public hearings are held to provide the general public with an opportunity to speak on any budget items before the County Board. The recommended budget, once adopted, is uploaded to the County's financial system in early July so that budget monitoring for the new fiscal year can begin. After fiscal year-end closing activities are completed and the State Budget is approved, the County Administrative Officer presents quarterly budget updates to the County Board for adjustments to the recommended budget, as necessary, as a result of state budget adjustments or other unforeseen changes.

An operating budget is adopted each fiscal year for all governmental and proprietary funds except for permanent funds. Governmental funds that are budgeted include the General Fund, special revenue funds, debt service funds, and capital project funds. Proprietary funds include enterprise funds and internal service funds. Expenditures are controlled at the object level within each budget unit of the County except for capital assets, which are controlled at the subobject level. The object level (subobject level for capital assets) within a budget unit is the legal level of budgetary control at which the County's management may not reallocate resources without special approval. Any amendments or transfers of appropriations between object levels (subobject level for capital assets) within the same budget unit, or between budget units or funds, must be authorized by the County Administrative Officer and approved by the County Board of Supervisors. Supplemental appropriations, normally financed by unanticipated revenues during the year, require the County Board's approval as well. Pursuant to Government Code Section 29092, the County Administrative Officer is authorized to approve transfers of appropriations within a single budget unit as deemed necessary and appropriate as long as the transfers are not between object levels or subobject levels for capital assets. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year.

The County uses an encumbrance system as an extension of normal budgetary accounting for all governmental funds and proprietary funds except for permanent funds to control expenditures. Under the encumbrance system, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered in order to reserve that portion of applicable appropriations. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end; encumbered appropriations at year-end are carried forward in the ensuing new fiscal year's budget but are kept separate from the new fiscal year's budget. The encumbrances are reported as prior budget year appropriations on all financial reports but are available for expenditure in the new fiscal year.

The budget approved by the County Board of Supervisors for the General Fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other governmental funds. In the accompanying budgetary financial schedules, actual reimbursements for these items have been eliminated from the resources and related expenditures have been eliminated from the charges to appropriations to provide a meaningful comparison of actual and budgeted results of operations.

The budgets for governmental funds may include an account known as "Intrafund Revenue". This account is used by the County to show reimbursements between operations within the same fund (an example would be charges by one budget unit to another budget unit within the General Fund).

The amounts reported on the budgetary basis differ from the basis used to present the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Annual budgets are prepared using the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures; reimbursements for amount disbursed on behalf of other governmental funds are reported as resources and related expenditures as charges to the appropriation; certain transactions are accounted for in different periods between budgetary and GAAP reporting basis; and securities lending activities and transactions from sub-funds reclassified from County Agency funds are reported in GAAP reporting basis.

County of Fresno
Required Supplementary Information
For the Year Ended June 30, 2011

Employees' Retirement Association
Analysis of Funding Progress
(amounts in thousands)

Actuarial Valuation Date	(1) Actuarial Value of Assets (AVA)	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Coverd Payroll (3) / (5)
6/30/05 [2]	$ 2,044,389 [1]	$ 2,233,594 [1,2]	$ 189,205 [1,2]	91.5% [1]	$ 351,049	53.9% [2]
6/30/06	2,398,454	2,803,990	405,536	85.5%	376,270	107.8%
6/30/07	2,610,269 [3]	3,149,570	539,301	82.9%	404,277	133.4%
6/30/08	2,812,423	3,429,990	617,567	82.0%	424,083	145.6%
6/30/09	2,864,956	3,644,743	779,787	78.6%	422,519	184.6%
6/30/10	2,983,044	4,092,464	1,109,420	72.9%	408,861	271.3%

[1] Results were prepared by the Association's prior actuary and disclosed in the June 30, 2006 CAFR.

[2] Before the Board amended its funding policy to eliminate the requirement that one-half of the Cost of Living Adjustments UAAL be paid by members. After the amendment, the AAL was $2,545,620, the AVA was $2,270,141, the funded precentage was 89.2% and the UAAL was $275,479.

[3] Assets decreased by $3,169 for a net overpayment of member contributions discounted to June 30, 2007.

Actuarial reviews are performed annually effective with the year ended June 30, 2003.
Source: Schedule prepared by The Segal Company.

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APPENDIX D

BOOK-ENTRY SYSTEM

THE INFORMATION IN THIS APPENDIX D CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COUNTY AND THE AUTHORITY BELIEVE TO BE RELIABLE, BUT THE COUNTY AND THE AUTHORITY TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT THE DEPOSITORY TRUST COMPANY WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Series 2012A Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC 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.

Purchases of Series 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012A Bonds 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 Series 2012A Bonds representing their ownership interests in The Series 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A Bonds 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 Series 2012A Bonds 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 Series 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A Bonds 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 Series 2012A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012A Bonds, such as defaults, redemptions and proposed amendments to the security documents. For example, Beneficial Owners of Series 2012A Bonds may wish to ascertain that the nominee holding the Series 2012A Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2012A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012A Bonds 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 and the Authority 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 Series 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Series 2012A Bonds 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, Authority 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 County or the Authority subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of and interest on the Series 2012A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Authority 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 Series 2012A Bonds at any time by giving reasonable notice to the County, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012A Bonds are required to be printed and delivered.

The County and the Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012A Bonds will be printed and delivered to DTC and the requirements of the County Resolution, the Authority Resolution and the Indenture with respect to certificated Series 2012A Bonds will apply.

THE COUNTY, THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES (I) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE SECURITIES (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECURITIES OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE COUNTY, THE AUTHORITY, THE TRUSTEE NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTION; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SECURITIES.

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APPENDIX E

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2012A Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the County, proposes to issue an approving opinion in substantially the following form:

Fresno County Financing Authority
Fresno, California

County of Fresno
Fresno, California

Ladies and Gentlemen:

We have acted as Bond Counsel to the County of Fresno (the "County") in connection with the issuance and delivery of $22,425,000 principal amount of Fresno County Financing Authority Lease Revenue Refunding Bonds, Series 2012A Bonds (the "Series 2012A Bonds"). The Series 2012A Bonds are issued pursuant to the provisions of Articles 1 through 4 of Chapter 5 of Division 7, Title 1 of the Government Code (commencing with Section 6500) and pursuant to the Indenture, dated as of September 1, 2012 (the "Indenture"), by and between the Fresno County Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

In rendering this opinion, we have reviewed the record of the actions taken by the County and the Authority in connection with the issuance and delivery of the Series 2012A Bonds. We have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such documents, instruments, or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

We are of the opinion that:

1. The Series 2012A Bonds constitute the valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority, and assuming due execution by the Trustee, is enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2012 Bonds, of the Revenues (as set forth in the Indenture) and any other amounts (including proceeds of the sale of the Series 2012A Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund (as set forth in the Indenture), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Site Lease, dated as of September 1, 2012 (the "Site Lease"), by and between the County, as lessor, and the Authority, as lessee, and the Lease, dated as of September 1, 2012 (the "Lease"), by and between the Authority, as lessor, and the County, as lessee, have been duly executed and delivered by and constitute the valid and binding obligations of the County and the Authority and are enforceable against the County and the Authority in accordance with their respective terms.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein (i) interest on the Series 2012A Bonds is excluded from gross

income for federal income tax purposes pursuant to Section 103 the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Series 2012A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and certain corporations under the Code; such interest, however, is included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certification of fact, and statements of reasonable expectations made by the County and the Authority in connection with the issuance and delivery of the Series 2012A Bonds, and we have assumed compliance by the County and the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012A Bonds from gross income under Section 103 of the Code. Noncompliance with such requirements may cause interest on the Series 2012A Bonds to become subject to federal income taxes retroactive to their date of delivery, irrespective of the date on which such noncompliance is ascertained. On the date of delivery of the Series 2012A Bonds, the Authority and the County will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied.

5. Under existing statutes, interest on the Series 2012A Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs 4 and 5 above, we express no opinion regarding any other federal, state or local tax consequences arising with respect to the Series 2012A Bonds or the ownership or disposition thereof. We render our opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2012A Bonds, or under state and local tax law.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Series 2012A Bonds and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the issuance and delivery of the Series 2012A Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Lease, Site Lease and Indenture may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principals of equity (regardless of whether such enforceability is considered in equity or at law).

Very truly yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is dated and made as of September 1, 2012 by the County of Fresno (the "County") in connection with the issuance of the $22,425,000 Fresno County Financing Authority Lease Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds"). All capitalized terms not otherwise defined in this Disclosure Certificate, shall have the respective meanings set forth in the Indenture, dated as of September 1, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). In connection therewith, the County agrees as follows:

ARTICLE I
The Disclosure Certificate

Section 1.1. Purpose. This Disclosure Certificate is being executed and delivered by the County for the benefit of the registered owners of the Series 2012A Bonds, or if the Series 2012A Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system (collectively, the "Holders") and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2012A Bonds (including persons holding Series 2012A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2012A Bonds for federal income tax purposes (collectively, the "Beneficial Owners") of the Series 2012A Bonds and in order to assist the original underwriters of the Series 2012A Bonds required to comply with 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 (the "Rule") in connection with offering of the Series 2012A Bonds (the "Participating Underwriters") in complying with the Rule.

Section 1.2. Annual Financial Information. (a) The County shall, not later than 8 months after the end of the County's fiscal year (currently ending June 30), commencing with the report for the Fiscal Year ending June 30, 2012 (which is due not later February 28, 2013), provide to 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 (the "MSRB") an Annual Report which is consistent with the requirements of Section 1.3 of this Disclosure Certificate (the "Annual Report). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 2.1 of this Disclosure Certificate. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 1.4 hereof.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall file a notice to the MSRB through its Electronic Municipal Market Access system (the "EMMA System") of such failure to timely file the Annual Report.

Section 1.3. Content of Annual Reports. The County's Annual Report shall contain the Audited financial statements for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 1.2 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated September 27, 2012 relating to the Series 2012A Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statements of the County, the Annual Report shall also include the following:

1. Information regarding the General Fund Annual Budget as set forth in Table 1 to Appendix A of the Official Statement;

2. Information regarding the statement of General Fund revenues, expenditures and changes in fund balances as set forth in Table 2 to Appendix A of the Official Statement

3. Information regarding General Fund balance sheets as set forth in Table 3 to Appendix A of the Official Statement

4. Information regarding tax levies and collections within the County as set forth in Table 5 of Appendix A to the Official Statement;

5. Information regarding the secured and unsecured assessed valuation of property within the County as set forth in Table 6 of Appendix A to the Official Statement;

6. Information regarding the ten largest property taxpayers by total taxes assessed within the County as set forth in Table 7 of Appendix A to the Official Statement;

7. Information regarding employment levels of the County as set forth in Table 8 of Appendix A to the Official Statement;

8. Information regarding annual pension cost and prepaid pension asset of the County as set forth in Table 12 of Appendix A to the Official Statement;

9. Information regarding the schedule of funding progress of the retirement plan of the Fresno County Employees' Retirement Association as set forth in Table 17 of Appendix A to the Official Statement;

10. Information regarding long-term debt obligations payable from the General Fund as set forth in Table 23 of Appendix A to the Official Statement;

11. Information regarding the pooled investment fund of the County as set forth in Table 26 of Appendix A to the Official Statement;

Section 1.4. Listed Event Notices. If a Listed Event occurs, the County shall provide, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event to the MSRB through its EMMA System. For purposes of this Disclosure Certificate, "Business Day" means any day of the year other than Saturday or Sunday or any other day on which banks in New York, New York or San Francisco, California are not authorized or obligated by law or executive order to close and on which the New York Stock Exchange is not closed. The following events are each a "Listed Event" with respect to the Series 2012A Bonds:

1. principal and interest payment delinquencies.

2. non-payment related defaults, if material.

3. modifications to rights of Holders, if material.

4. Bond calls, if material and tender offers.

5. defeasances.

6. rating changes.

7. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2012A Bonds, or other material events affecting the tax status of the Series 2012A Bonds.

8. unscheduled draws on the debt service reserves reflecting financial difficulties.

9. unscheduled draws on the credit enhancements reflecting financial difficulties.

10. release, substitution or sale of property securing repayment of the Series 2012A Bonds, if material.

11. bankruptcy, insolvency, receivership or similar event of the County (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government 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 governing 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;

12. substitution of credit or liquidity providers, or their failure to perform;

13. the consummation of a merger, consolidation, or acquisition involving the 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, if material;

14. appointment of a successor or additional trustee or the change of name of a trustee, if material; and

15. any amendment or waiver of a provision of this Disclosure Certificate.

Section 1.5. Additional Disclosure Obligations. The County acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the County and that, under some circumstances, compliance with this Disclosure Certificate without additional disclosures or other action may not fully discharge all duties and obligations of the County under such laws.

Section 1.6. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual

Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 1.7. No Previous Non-Compliance. The County represents that it has never failed to comply in any material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II
Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the County provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference. The provisions of this Section 2.1 shall not apply to notices of Listed Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. CUSIP Numbers. Whenever providing information to the MSRB, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the County shall indicate the full name of the Series 2012A Bonds and the 9-digit CUSIP numbers for the Series 2012A Bonds as to which the provided information relates.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the County's sole determination, subject to technical and economic feasibility, the County shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the County's information and notices.

Section 2.5. Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. The County's Fiscal Year currently begins July 1 and ends on the next succeeding June 30, and the County shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its Fiscal Year.

Section 2.6. Filing with Certain Dissemination Agents. The County may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the County under this Disclosure Certificate, and revoke or modify any such designation.

ARTICLE III
Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) The obligations of the County under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2012A Bonds. If such termination occurs prior to the final maturity of the Series 2012A Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 1.4 hereof.

Section 3.2. This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the County (1) receives an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the effect that those portions of the Rule which require this Disclosure Certificate, or any of the provisions hereof, do not or no longer apply to the Series 2012A Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof

Section 3.3. Amendment. (a) This Disclosure Certificate may be amended by the County without the consent of the holders of the Series 2012A Bonds (except to the extent required under clause 3.3(a)(4)(ii) hereof), if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the County or the type of business conducted thereby;

(2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(3) the County shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the same effect as set forth in clause 3.1(a)(2) above;

(4) either (i) the County shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the effect that the amendment does not materially impair the interests of the holders of the Series 2012A Notes or (ii) is approved by the Holders of the Series 2012A Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders; and

(5) the County shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 3.1(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the County, without the consent of the holders of the Series 2012A Bonds, if all of the following conditions are satisfied:

(1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(2) the County shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the effect that performance by the County under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(3) the County shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment 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 the same manner as for a Listed Event under Section 1.4 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 3.4. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Disclosure Certificate shall constitute a contract with and inure solely to the benefit of the holders of the Series 2012A Bonds, except that beneficial owners of Series 2012A Bonds shall be third-party beneficiaries of this Disclosure Certificate.

(b) Except as expressly provided in this subsection (b), the provisions of this Disclosure Certificate shall create no rights in any person or entity. The obligations of the County to comply with the provisions of this Disclosure Certificate shall be enforceable, in the case of enforcement of obligations to provide notices, by any holder of Series 2012A Bonds. Such holders' rights to enforce the provisions of this Disclosure Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the County's obligations under this Disclosure Certificate. In consideration of the third-party beneficiary status of beneficial owners of Series 2012A Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Series 2012A Bonds for purposes of this subsection (b).

(c) Any failure by the County to perform in accordance with this Disclosure Certificate shall not constitute a default under the Series 2012A Bonds.

(d) This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof. If any party initiates any legal or equitable action to enforce the terms of this Disclosure Certificate, to declare the rights of any party under this Disclosure Certificate or which relates to this Disclosure Certificate in any manner, each such party agrees that the place of making and for performance of this Disclosure Certificate shall be Fresno, California, State of California, and the proper venue for any such action is the Superior Court of the State of California, in and for the County of Fresno.

Section 3.5. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 3.6. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Disclosure Certificate shall be valid and enforceable to the fullest extent permitted by law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Disclosure Certificate as of the date first written above.

COUNTY OF FRESNO

By: ______________________________________
County Administrative Officer

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

Form 500NY (5/90)

FRESNO COUNTY FINANCING AUTHORITY • LEASE REVENUE REFUNDING BONDS, SERIES 2012A

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