NEW ISSUE--BOOK-ENTRY ONLY

RATINGS: Moody's: Aaa (Insured)
A2 (Underlying)
S&P: AAA (Insured)
A (Underlying)
(See "RATINGS" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of the rental payments made by the County and received by the owners of the 2007 Certificates designated as and representing interest is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, the portion of the rental payments made by the County and received by the owners of the 2007 Certificates designated as and representing interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of the portion of the rental payments designated as and representing interest related to, the 2007 Certificates. See "TAX MATTERS" within.

$114,635,000
CERTIFICATES OF PARTICIPATION
Series 2007
(County Administration Building)
Evidencing and Representing Proportionate, Undivided Interests of the Owners Thereof in Base Rental Payments to Be Made by the
COUNTY OF SAN JOAQUIN, CALIFORNIA
to the
SAN JOAQUIN COUNTY PUBLIC FACILITIES FINANCING CORPORATION

Dated: Date of Delivery **Due: See Inside Cover**

Interest with respect to the 2007 Certificates is payable semiannually on May 15 and November 15, commencing November 15, 2007. The 2007 Certificates will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the 2007 Certificates will be in denominations of $5,000 and integral multiples thereof. Beneficial owners of the 2007 Certificates will not receive physical certificates representing the 2007 Certificates purchased, but will receive a credit balance on the books of the nominee of such purchasers. Principal of and interest due with respect to the 2007 Certificates will be paid by U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee"), to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the 2007 Certificates as described herein. See, "APPENDIX F – BOOK-ENTRY SYSTEM."

The 2007 Certificates are being sold to provide funds: (i) to finance the costs of design and construction of a new County administration building (the "Project" as more fully described herein); (ii) to prepay a portion of the County's outstanding Series 1993 Certificates of Participation (Capital Facilities Project) (the "1993 Certificates" as described herein, and together with the 2007 Certificates, the "Certificates"); (iii) to fund a deposit to the Reserve Fund for the Certificates, and (iv) to pay costs related to the delivery of the 2007 Certificates. See "THE PROJECT," "FINANCING PLAN," and "SOURCES AND USES OF FUNDS" herein.

The 2007 Certificates evidence and represent the direct and proportionate interests of the registered owners thereof in a portion of the base rental payments to be made under a Master Project Lease, dated as of October 1, 1993, as amended and supplemented by a First Amendment to Master Project Lease, dated as of June 1, 2007 (as amended and supplemented, the "Master Project Lease") by and between the County of San Joaquin (the "County") and the San Joaquin County Public Facilities Financing Corporation (the "Corporation"), pursuant to which the County has agreed to lease certain existing County facilities as described herein (the "Leased Property"). The County has covenanted in the Master Project Lease to take such action as may be necessary to include and maintain all rental payments for the Leased Property in its annual budget, and to make necessary annual appropriations therefor. The County's obligations to make rental payments is subject to abatement in the event of damage to, destruction or condemnation of, or title defects relating to, the Leased Property described under the Master Project Lease. See "SECURITY FOR THE 2007 CERTIFICATES" and "RISK FACTORS" herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE 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 CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE MASTER PROJECT LEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF THE CALIFORNIA. THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF SUCH BASE RENTAL PAYMENTS.

The 2007 Certificates are subject to optional and mandatory prepayment prior to their stated maturities. See – "THE 2007 CERTIFICATES – Prepayment."

Payments of principal and interest evidenced and represented by the 2007 Certificates when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the execution and delivery of the 2007 Certificates.

MBIA

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the section entitled "RISK FACTORS," for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2007 Certificates. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The 2007 Certificates are offered when, as and if delivered, subject to the approval of the validity of the Master Project Lease by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, and to certain other conditions. Certain legal matters will be passed upon for the County by County Counsel and Nossaman, Guthner, Knox & Elliott, LLP, Sacramento, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the 2007 Certificates will be available for delivery in book-entry form in New York, New York on or about June 7, 2007.

BANC OF AMERICA SECURITIES LLC

CITI **GOLDMAN, SACHS & CO.**

Dated: May 23, 2007

MATURITY SCHEDULE

BASE CUSIP®: 798085
$71,850,000 SERIAL 2007 CERTIFICATES

Maturity Date (November 15)	Principal Amount	Interest Rate	Yield	CUSIP®	Maturity Date (November 15)	Principal Amount	Interest Rate	Yield	CUSIP®
2014	$2,765,000	5.00%	3.86%	GW0	2023	$4,305,000	5.00%	4.30% c	HF6
2015	2,905,000	5.00	3.91	GX8	2024	4,520,000	5.00	4.32 c	HG4
2016	3,085,000	5.00	3.96	GY6	2025	4,745,000	5.00	4.34 c	HH2
2017	3,290,000	5.00	4.01	GZ3	2026	4,985,000	5.00	4.35 c	HJ8
2018	3,495,000	5.00	4.09 c	HA7	2027	5,235,000	4.75	4.52 c	HK5
2019	3,545,000	5.00	4.14 c	HB5	2028	5,480,000	4.75	4.53 c	HL3
2020	3,720,000	5.00	4.19 c	HC3	2029	5,740,000	5.00	4.38 c	HM1
2021	3,905,000	5.00	4.24 c	HD1	2030	6,030,000	5.00	4.39 c	HN9
2022	4,100,000	5.00	4.27 c	HE9					

$ 19,905,000 4.75% Term 2007 Certificates Due November 15, 2033 — Yield 4.57% c
CUSIP®: HP4

$ 22,880,000 4.75% Term 2007 Certificates Due November 15, 2036 — Yield 4.59% c
CUSIP®: HQ2

c: Priced to par call on November 15, 2017.

® A registered trademark of the American Bankers Association. CUSIP data is provided by Standard & Poor's, CUSIP Services Bureau, a division of the McGraw-Hill Companies, Inc. and are provided for convenience of reference only. Neither the County nor the Underwriters assume any responsibility for the accuracy of these CUSIP data.

No dealer, broker, salesperson or other person has been authorized by the County of San Joaquin or the Underwriters to give any information or to make any representations 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 Underwriters. 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 2007 Certificates 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 of the 2007 Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

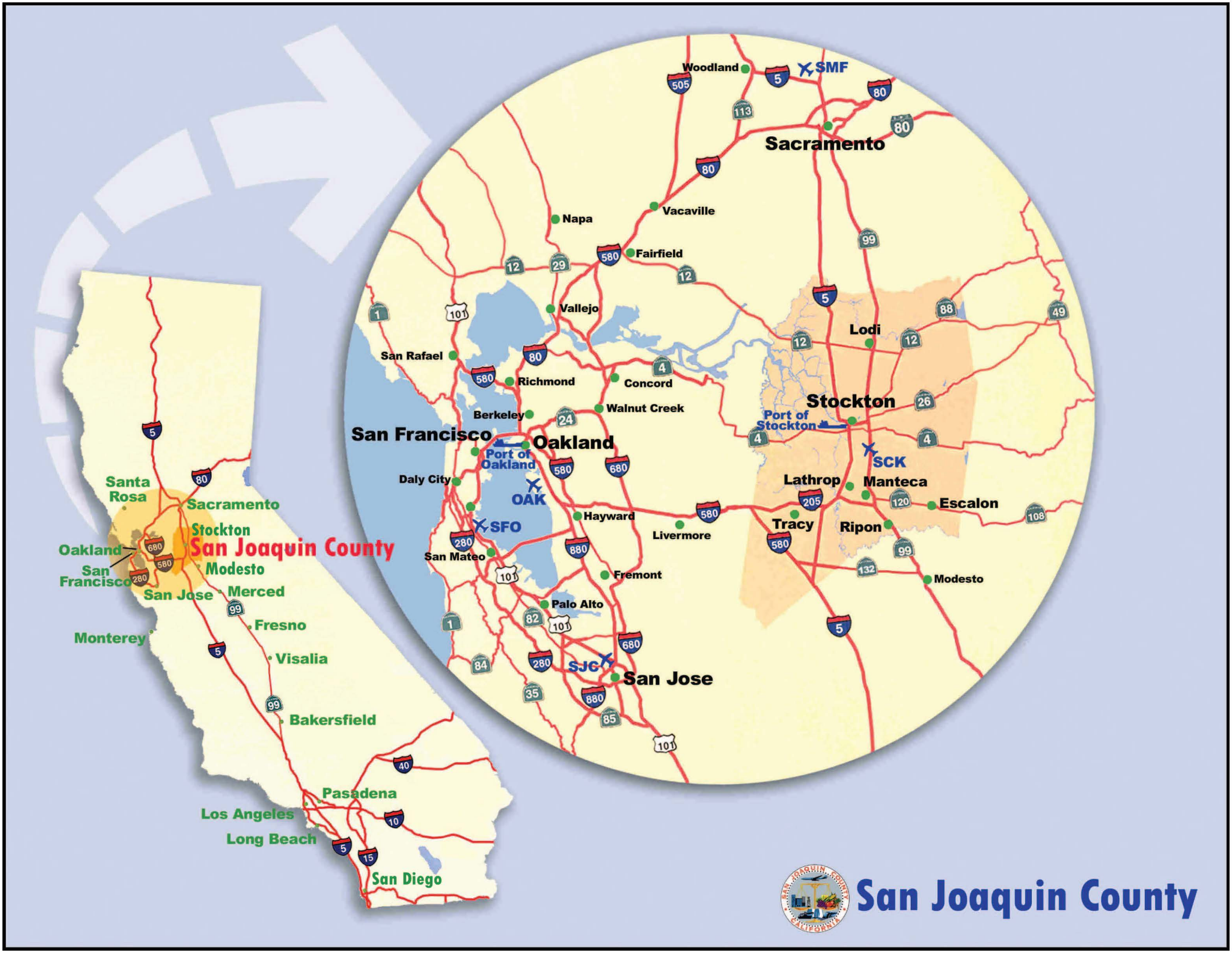
The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

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

The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no changes in the affairs of the County since the date hereof. All summaries of the Master Project Lease, the Trust Agreement or other documents 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.

This Official Statement is submitted in connection with the sale of the 2007 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE 2007 CERTIFICATES, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2007 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2007 CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.



Santa Rosa
Sacramento
Stockton
San Joaquin County
Oakland
San Francisco
Modesto
San Jose
Merced
Fresno
Monterey
Visalia
Bakersfield
Pasadena
Los Angeles
Long Beach
San Diego
Woodland
SMF
Sacramento
Vacaville
Napa
Fairfield
Vallejo
San Rafael
Richmond
Concord
Berkeley
Walnut Creek
San Francisco
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Port of Oakland
Daly City
OAK
SFO
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Fremont
Palo Alto
SJC
San Jose
Lodi
Stockton
Port of Stockton
SCK
Lathrop
Manteca
Escalon
Tracy
Ripon
Modesto
San Joaquin County

COUNTY OF SAN JOAQUIN
BOARD OF SUPERVISORS

Victor Mow, *Chairman*
Ken Vogel, *Vice Chairman*
Steven Gutierrez, *Member*
Leroy Ornellas, *Member*
Larry Ruhstaller, *Member*

COUNTY OFFICIALS

Manuel Lopez
County Administrator

Shabbir A. Khan
Treasurer-Tax Collector

Adrian J. Van Houten
Auditor-Controller

Gary Freeman
Assessor

David Wooten
County Counsel

SAN JOAQUIN COUNTY PUBLIC FACILITIES FINANCING CORPORATION

Mel Wingett
President

Frank Angelini
Vice President

Mark Plovnick
Chief Financial Officer

SPECIAL COUNSEL
Orrick, Herrington & Sutcliffe
San Francisco, California

DISCLOSURE COUNSEL
Nossaman, Guthner, Knox & Elliott, LLP
Sacramento, California

TRUSTEE
U.S. Bank National Association
San Francisco, California

FINANCIAL ADVISOR
RBC Capital Markets
Los Angeles, California

VERIFICATION AGENT

Grant Thornton, LLP
Minneapolis, Minnesota

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OFFICIAL STATEMENT

$114,635,000
CERTIFICATES OF PARTICIPATION
Series 2007
(County Administration Building)
Evidencing and Representing Proportionate,
Undivided Interests of the Owners Thereof
in Base Rental Payments to Be Made
by the
COUNTY OF SAN JOAQUIN
to the
SAN JOAQUIN COUNTY PUBLIC
FACILITIES FINANCING CORPORATION

INTRODUCTION

General

This Official Statement, which includes the cover page and the appendices hereto, furnishes information with respect to the $114,635,000 aggregate principal amount evidenced and represented by the Certificates of Participation, Series 2007 (County Administration Building) (the "2007 Certificates") evidencing and representing proportionate, undivided interests of the owners thereof in certain base rental payments to be made by the County of San Joaquin, California (the "County") to the San Joaquin County Public Facilities Financing Corporation (the "Corporation").

The 2007 Certificates are being sold (i) to provide funds to finance the costs of design and construction of a new County administration building (the "Project," as more fully described below); (ii) to prepay a portion of the County's outstanding Series 1993 Certificates of Participation (Capital Facilities Project) (the "1993 Certificates" and, together with the 2007 Certificates, the "Certificates"); (iii) to fund a deposit to the Reserve Fund for the Certificates; and (iv) to pay costs related to the delivery of the 2007 Certificates. See "THE PROJECT," "FINANCING PLAN" and "SOURCES AND USES OF FUNDS."

The 2007 Certificates are being issued pursuant to the First Supplemental Trust Agreement, dated as of June 1, 2007 (the "Supplemental Trust Agreement") by and among U.S. Bank National Association, as successor trustee (the "Trustee"), the Corporation and the County and supplemental to the Trust Agreement, dated as of October 1, 1993 (the "Original Trust Agreement"), by and among First Trust of California, National Association, as original trustee, the Corporation and the County (the Supplemental Trust Agreement, together with the Original Trust Agreement, are referred to herein as the "Trust Agreement"). The 2007 Certificates are issued under the Trust Agreement on a parity with the 1993 Certificates originally issued under the Trust Agreement in the aggregate principal amount of $110,740,000 and of which, following the prepayment of a portion of the 1993 Certificates with a portion of the proceeds of the 2007 Certificates, $23,620,000 will remain outstanding.

Security for the 2007 Certificates

The 2007 Certificates represent proportionate undivided interests in certain of the base rental payments (the "Base Rental Payments") payable by the County pursuant to the Master Project Lease, dated as of October 1, 1993, by and between the Corporation and the County, as amended by a First Amendment to Project Lease, dated as of June 1, 2007 (collectively, the "Master Project Lease"), for use and possession of certain property described therein (the "Leased Property," as more fully described below). See "BASE RENTAL PAYMENTS - The Leased Property."

The obligation of the County to pay Base Rental Payments described below when due is a General Fund obligation of the County. **THE OBLIGATION OF THE COUNTY TO MAKE BASE 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 2007 CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE MASTER PROJECT LEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF SUCH BASE RENTAL PAYMENTS**. The principal and interest components represented by the Certificates are the principal and interest components of the Base Rental Payments. For a further description of the Base Rental Payments, see "SECURITY FOR THE 2007 CERTIFICATES - Base Rental Payments" herein.

The County's obligation to pay Base Rental Payments under the Master Project Lease is subject to abatement. See "BASE RENTAL PAYMENTS — Abatement" herein. However, during periods of abatement, any moneys in the Base Rental Payment Fund representing earned Base Rental Payments or moneys in the Reserve Fund are available to pay Base Rental Payments. The Leased Property which comprises the subject matter of the Master Project Lease is completed and occupied by the County.

Certificate Insurance

Payment of principal and interest evidenced and represented by the 2007 Certificates when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation (the "Insurer") simultaneously with the delivery of the 2007 Certificates. See "CERTIFICATE INSURANCE" herein.

Additional Certificates

The Corporation and the Trustee may provide for the execution and delivery of additional certificates of participation representing additional base rental payments with respect to the Master Project Lease upon satisfaction of certain conditions contained in the Trust Agreement. The Base Rental Payments have been assigned to the Trustee pursuant to an Assignment Agreement, dated as of October 1, 1993. See "SECURITY FOR THE 2007 CERTIFICATES — Additional Certificates."

Risk Factors

For a discussion of some of the risks associated with the purchase of the 2007 Certificates, see "RISK FACTORS."

Continuing Disclosure

The County has covenanted for the benefit of owners of the 2007 Certificates to provide certain financial information and operating data relating to the County by not later than 270 days after the end of the County's Fiscal Year (presently June 30) in each year, commencing with the report for the 2006/07 Fiscal Year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and the State Repository, if any. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the County is summarized in "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT."

The County has, in the past, failed to timely file portions of its annual reports required in connection with certain prior obligations as described below, in part because the County's financial statements were not available at the time required. The County has since made all required filings and by the date of the execution and delivery of the 2007 Certificates, will be current with respect to all continuing disclosure obligations. In the last five years, the County did not file timely complete annual reports with respect to the County's outstanding 1999 Refunding Certificates of Participation (General Hospital Project) and the County's outstanding Certificates of Participation, 2003 Solid Waste System Facilities Project.

Forward-Looking Statements

This Official Statement (including the appendices hereto) contains certain forward-looking statements (collectively, the "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, are Forward-Looking Statements. Although the County believes that the expectations reflected in such Forward-Looking Statements are reasonable, no one can be given assurance that such statements will prove to be correct. Important factors which could cause actual results to differ materially from expectations of the County (collectively, the "Cautionary Statements") are disclosed in this Official Statement. All Forward-Looking Statements attributable to the County are expressly qualified in their entirety by the Cautionary Statements.

Summary of Terms

Brief descriptions of the 2007 Certificates, the Trust Agreement, the Master Project Lease, the Corporation, the County, the Project and the Leased Property are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Trust Agreement as well as the proceedings of the County with respect to the Leased Property and the 2007 Certificates, are qualified in their entirety by reference to such documents. References herein to the 2007 Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement.

Capitalized terms not defined elsewhere in this Official Statement have the meanings assigned to such terms in the Trust Agreement or the Master Project Lease. See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Certain Definitions" herein. Copies of the documents described herein may be obtained at the office of the County Administrator at 222 East Weber Avenue, Room 707, Stockton, California 95202.

THE PROJECT

The Project consists of a new County Administration Building on Weber Avenue in Stockton, California, including appurtenant and related facilities. The Project will be a 250,000 square foot building located in the City of Stockton, the county seat. The County Administration Building will accommodate the offices of the County Board of Supervisors and Clerk of the Board, County Administrator, County Counsel, County Assessor/Recorder and County Clerk, the Auditor-Controller, Registrar of Voters, Treasurer-Tax Collector and additional administrative units of the County. When completed, the County Administration Building is anticipated to provide accommodations for approximately 500 County staff in approximately 200,000 net square feet, with additional space for up to 250 additional staff. There will be parking for 38 automobiles below grade.

The County has previously circulated a Request for Qualifications Design/Build Services dated as of December 22, 2006 and on May 22, 2007, awarded a design/build contract subject to the closing of the 2007 Certificates.

The County has established a stipulated design/build project budget of $92,860,000. This sum includes all design, core and shell improvements, a tenant improvement allowance, relocation costs, artwork, project management and contingency. The County intends to self-finance $6,620,000 to be used for the costs of excavation and demolition of an existing structure, permits, inspections, furniture and a portion of relocation costs as well as internal County staff costs and expenses. The total estimated cost of the Project is $108,630,000. Groundbreaking for the Project is anticipated to occur in August 2007 with final acceptance and occupancy of the Project to occur in approximately May 2009. The payment of Base Rental Payments by the County is not conditioned on completion of construction of the Project. See "SOURCES AND USES OF FUNDS" herein.

The County either owns in fee or will have assembled all property necessary to construct the Project prior to the delivery of the 2007 Certificates. The County has entered into an agreement with the City of Stockton pursuant to which title to a portion of the property necessary for construction of the Project will be transferred to the County prior to the closing of the 2007 Certificates.

REFUNDING PLAN

A portion of the proceeds of the 2007 Certificates will be used for the purpose of current refunding a portion of the 1993 Certificates (the "Refunded 1993 Certificates"). Concurrent with the issuance of the 2007 Certificates, the County and the Corporation will enter into an Escrow Agreement, dated as of June 1, 2007 (the "Escrow Agreement") with U.S. Bank National Association, acting as escrow agent (the "Escrow Agent"). A portion of the proceeds of the 2007 Certificates will be deposited in the escrow fund (the "Escrow Fund") established under the Escrow Agreement. Amounts deposited into the Escrow Fund will be invested solely in direct, non-callable general obligations of the United States Department of the Treasury, the principal of and interest from which will be sufficient to pay the scheduled debt service on the Refunded 1993 Certificates to and including September 4, 2007, and to prepay on September 4, 2007, the Refunded 1993 Certificates maturing November 15, 2019, at a prepayment price equal to 100% of the principal represented by the Refunded 1993 Certificates plus accrued interest. See "SOURCES AND USES OF FUNDS" and "VERIFICATION OF MATHEMATICAL ACCURACY" herein.

The moneys and securities held by the Escrow Agent are pledged to the prepayment of the Refunded 1993 Certificates. Neither the moneys nor the principal of the securities deposited with the Escrow Agent will be available for the payment of the 2007 Certificates.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the proceeds of the 2007 Certificates:

SOURCES:	
Principal Amount of 2007 Certificates	$114,635,000
Original Issue Premium	4,658,738
Total	$119,293,738
USES:	
Deposit to Reserve Fund (1)	$5,023,829
Deposit to Escrow Fund	18,398,857
Deposit to Improvement Fund	94,230,906
Underwriters' Discount	291,654
Delivery Costs (2)	1,348,492
Total	$119,293,738

(1) Equal to amount necessary to bring the amount on deposit in the Reserve Fund to the Reserve Fund Requirement for the Certificates. Following the November 15, 2008 lease payment with respect to the 2007 Certificates, excess amounts in the Reserve Fund will be transferred to the Improvement Fund for use in acquiring and constructing the Project.

(2) Includes financial advisory fee, certificate insurance premium, title insurance and other costs of issuance.

THE 2007 CERTIFICATES

General Provisions

The 2007 Certificates will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co. ("Cede & Co."), as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only, in the denominations hereinafter set forth. See "APPENDIX F - BOOK-ENTRY ONLY SYSTEM."

Ownership interests in 2007 Certificates will be in $5,000 denominations or any integral multiple thereof. Interest represented by the 2007 Certificates will be computed using a year of 360 days comprising twelve 30-day months and will be payable on May 15 and November 15 of each year, commencing November 15, 2007. The 2007 Certificates will mature on the dates and in the principal amounts, and the interest represented thereby shall be computed at the rates, all as set forth on the inside cover of this Official Statement.

Base Rental Payment Schedule

The following table sets forth the Base Rental Payments with respect to the non-refunded portion of the 1993 Certificates and the 2007 Certificates. The table does not reflect reductions in Base Rental Payments from investment earnings.

2007 CERTIFICATES
BASE RENTAL PAYMENTS

Year Ending November 15	Principal Component	Interest Component	1993 Certificates [1]	Total Base Rental Payments
2007	$ —	$2,456,900	$6,285,930	$8,742,830
2008	—	5,598,000	6,923,980	12,521,980
2009	—	5,598,000	2,710,225	8,308,225
2010	—	5,598,000	2,751,475	8,349,475
2011	—	5,598,000	2,800,475	8,398,475
2012	—	5,598,000	2,834,575	8,432,575
2013	—	5,598,000	2,869,600	8,467,600
2014	2,765,000	5,598,000	—	8,363,000
2015	2,905,000	5,459,750	—	8,364,750
2016	3,085,000	5,314,500	—	8,399,500
2017	3,290,000	5,160,250	—	8,450,250
2018	3,495,000	4,995,750	—	8,490,750
2019	3,545,000	4,821,000	—	8,366,000
2020	3,720,000	4,643,750	—	8,363,750
2021	3,905,000	4,457,750	—	8,362,750
2022	4,100,000	4,262,500	—	8,362,500
2023	4,305,000	4,057,500	—	8,362,500
2024	4,520,000	3,842,250	—	8,362,250
2025	4,745,000	3,616,250	—	8,361,250
2026	4,985,000	3,379,000	—	8,364,000
2027	5,235,000	3,129,750	—	8,364,750
2028	5,480,000	2,881,087	—	8,361,087
2029	5,740,000	2,620,787	—	8,360,787
2030	6,030,000	2,333,787	—	8,363,787
2031	6,330,000	2,032,287	—	8,362,287
2032	6,630,000	1,731,612	—	8,361,612
2033	6,945,000	1,416,687	—	8,361,687
2034	7,275,000	1,086,800	—	8,361,800
2035	7,620,000	741,237	—	8,361,237
2036	7,985,000	379,287	—	8,364,287
Total	$114,635,000	$114,006,475	$27,176,260	$255,817,735

(1) Non-refunded portion only. Excludes May 15, 2007 lease payment.

Prepayment

Extraordinary Prepayment. The 2007 Certificates are subject to prepayment prior to their respective Certificate Payment Dates, upon notice as described below, as a whole or in part on any date from such Certificate Payment Dates as selected by the County and by lot within each Certificate Payment Date, in integral multiples of $5,000, from prepaid Base Rental Payments made by the County from funds received by the County due to a condemnation of any Leased Property or portions thereof, or from the proceeds of insurance received for material damage to or destruction of the Leased Property or portions thereof, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Master Project Lease, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2007 Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment. See "APPENDIX C -- SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Project Lease - Prepayment of Base Rental Payments" herein for a description of procedures for distributing proceeds of insurance.

Mandatory Prepayment. The 2007 Certificates payable on November 15, 2033 and November 15, 2036 are also subject to mandatory prepayment prior to such Certificate Payment Dates in part on each November 15 on or after November 15, 2031 and November 15, 2034, respectively, solely from scheduled Base Rental Payments coming due on such dates, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2007 Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium, as follows:

2007 Certificates Due November 15, 2033

Prepayment Date	Principal Amount
November 15, 2031	$6,330,000
November 15, 2032	6,630,000
November 15, 2033*	6,945,000

* Maturity Date

2007 Certificates Due November 15, 2036

Prepayment Date	Principal Amount
November 15, 2034	$7,275,000
November 15, 2035	7,620,000
November 15, 2036*	7,985,000

* Maturity Date

Optional Prepayment. The 2007 Certificates maturing on or before November 15, 2017 are not subject to optional prepayment prior to their respective maturities. The 2007 Certificates maturing on or after November 15, 2018 are subject to optional prepayment as a whole or in part on any date on or after November 15, 2017, from such maturities as selected by the County and by lot within each selected maturity in integral multiples of $5,000, from any source of available funds, at a prepayment price of the principal amount or such part thereof evidenced and represented by the 2007 Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

Selection of Certificates for Prepayment

Whenever less than all the Outstanding Certificates of any one Certificate Payment Date are to be prepaid on any one date, the Trustee shall select the Certificates of such Certificate Payment Date to be prepaid in whole or in part from the Outstanding Certificates of such Certificate Payment Date by lot in any manner that the Trustee deems fair, and the Trustee shall promptly notify the Corporation and the County in writing of the numbers of the Certificates so selected for prepayment in whole or in part on such date.

Notice of Prepayment

Notice of prepayment will be mailed not less than thirty (30), nor more than sixty (60), days prior to the prepayment date (i) to DTC or (ii) in the event the book-entry only system is discontinued, to the respective registered owners of the Certificates designated for prepayment at their addresses appearing on the certificate registration books. Neither failure to receive such notice nor any immaterial defect in the notice will affect the sufficiency or validity of any proceedings taken in connection with a prepayment of Certificates or portions thereof.

Unless the book-entry only system shall have been discontinued, the Corporation and the Trustee will only recognize DTC or its nominee as a Certificate owner. Conveyance of notices and other communications by DTC to DTC Participants and by DTC Participants to Beneficial Owners will be governed by arrangements between them, subject to any statutory and regulatory requirements as may be in effect from time to time.

Effect of Prepayment

If notice of prepayment has been duly given as described above and money for the payment of the prepayment price of the Certificates or the parts thereof to be prepaid is held by the Trustee, then on the prepayment date designated in such notice the Certificates or such portions thereof so called for prepayment will become payable at the prepayment price specified in such notice; and from and after the date so designated interest evidenced and represented by the Certificates or such portions thereof so called for prepayment will cease to accrue, such Certificates or such portions thereof will cease to be entitled to such benefit, protection or security under the Trust Agreement and the owners of such Certificates will have no rights in respect thereof except to receive payment of the prepayment price evidenced and represented by the Certificates or such portions to be prepaid. The Trustee will, upon surrender for prepayment of any of the Certificates to be prepaid in whole or in part on their prepayment dates, pay such Certificates or such portions thereof at the prepayment price evidenced and represented thereby. All Certificates surrendered pursuant to the provisions described hereby will be cancelled by the Trustee.

Defeasance

For a description of procedures and requirements for discharging the Certificates and Trust Agreement, see "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Trust Agreement - Discharge of Certificates and Trust Agreement" herein.

SECURITY FOR THE 2007 CERTIFICATES

Base Rental Payments

The 2007 Certificates evidence and represent proportionate interests in certain Base Rental Payments to be made by the County under the Master Project Lease, which have been assigned by the Corporation to the Trustee for the benefit of the owners of the related 2007 Certificates, as described below. The obligation of the County to pay Base Rental Payments described below when due is a general fund obligation of the County. THE OBLIGATION OF THE COUNTY TO MAKE BASE 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 CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE MASTER PROJECT LEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF SUCH BASE RENTAL PAYMENTS. The principal and interest components represented by the 2007 Certificates are the principal and interest components of the Base Rental Payments. For a further description of the Base Rental Payments, see "BASE RENTAL PAYMENTS" herein.

FOR INFORMATION REGARDING THE COUNTY, INCLUDING FINANCIAL INFORMATION, SEE APPENDIX A AND APPENDIX B ATTACHED HERETO. SEE ALSO "CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS" HEREIN.

The County's obligation to pay Base Rental Payments under the Master Project Lease is subject to abatement. See "BASE RENTAL PAYMENTS — Abatement" herein. However, during periods of abatement, any moneys in the Base Rental Payment Fund representing earned Base Rental Payments or moneys in the Reserve Fund are available to pay Base Rental Payments.

The Leased Property, which comprises the subject matter of the Master Project Lease, is completed and occupied by the County. The Project is not the subject matter of the Master Project Lease and, accordingly, failure to complete construction of the Project as scheduled would not subject Base Rental Payments to abatement.

Pledge of Base Rental Payments

Pursuant to the Trust Agreement, Base Rental Payments deposited in the Base Rental Payment Fund are irrevocably pledged to and will be used for the punctual payment of the interest and principal evidenced and represented by the Certificates, including the 2007 Certificates, and Base Rental Payments will not be used for any other purpose while any Certificates remain outstanding under the Trust Agreement. The pledge constitutes a first and exclusive lien on the Base Rental Payments when received, as described below.

Assignment

Pursuant to the Assignment Agreement and the 2007 Assignment Agreement, the Corporation has assigned to the Trustee for the benefit of the registered owners of the Certificates each and all of its rights under the Master Site Lease and Master Project Lease (except the right of the Corporation to receive payment of its fees, expenses and reimbursements), including its right to receive the Base Rental Payments from the County under the Master Project Lease and its rights to exercise the rights and remedies conferred on the Corporation under the Master Site Lease and the Master Project Lease as may be necessary to enforce payment of the Base Rental Payments when due or otherwise to protect its interests in the event of a default by the County thereunder and its right of entry in and upon the Project as provided in the Master Project Lease.

Pledged Funds

Base Rental Payment Fund. All Base Rental Payments are held in trust by the Trustee in the Base Rental Payment Fund for the benefit of the County until deposited semiannually in the Interest Account therein, the Principal Account therein and, if applicable, the Prepayment Account therein. Pursuant to the Trust Agreement, the County and the Corporation pledge and grant a lien on and a security interest in the money in the Base Rental Payment Fund to the Trustee for the benefit of the owners of the Certificates. The Base Rental Payment Fund, including the accounts therein, generally contains no Base Rental Payments, except for deposits of Base Rental Payments made fifteen days prior to their due date.

Reserve Fund. A Reserve Fund is held in trust by the Trustee pursuant to the Trust Agreement in an amount which is equal to the Reserve Fund Requirement for all Certificates outstanding under the Trust Agreement. If at any time the Reserve Fund is drawn upon, the County may, but is not required to, restore the Reserve Fund to an amount equal to the Reserve Fund Requirement from lawfully available funds. The County may meet the Reserve Fund Requirement by providing one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank which meets the requirements of the Trust Agreement. See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Certain Definitions." Pursuant to the Trust Agreement, the County and the Corporation pledge and grant a lien on and a security interest in the money in the Reserve Fund to the Trustee for the benefit of the owners of the Certificates in order to secure the County's obligation to pay the scheduled Base Rental Payments. At the time of delivery of the 2007 Certificates, the County will cause to be deposited to the Reserve Fund the portion of the proceeds of the 2007 Certificates required to bring the amount on deposit therein to the Reserve Fund Requirement. Following the November 15, 2008 payment of Base Rental Payments with respect to the Certificates, there is anticipated to be an excess on deposit in the Reserve Fund over the Reserve Fund Requirement. The Trustee will transfer the excess amount to the Improvement Fund for use in acquiring and constructing the Project.

The Trustee is authorized to withdraw the moneys on deposit in the Reserve Fund solely for the payment of the Base Rental Payments due and payable by the County under the Master Project Lease if and when rental is abated (see "BASE RENTAL PAYMENTS -- Abatement" herein) or when moneys of the County are not otherwise available to make such Base Rental Payments. See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Project Lease - Reserve Fund."

Additional Certificates

In addition to the 1993 Certificates and the 2007 Certificates, the County, the Corporation and the Trustee may by Supplemental Trust Agreement provide for the execution and delivery of additional certificates representing additional principal components of Base Rental Payments and the interest accruing thereon ("Additional Certificates") upon satisfaction of certain provisions contained in the Trust Agreement. The proceeds of such Additional Certificates may be applied to refund all or any part of the then outstanding Certificates or Additional Certificates or to acquire or construct any additional improvements. See "APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Trust Agreement — Issuance of Additional Certificates."

BASE RENTAL PAYMENTS

General

As rental for the use and occupancy of the Leased Property, the County has covenanted under the Master Project Lease to pay Base Rental Payments and also to pay additional rental in amounts required by the Corporation for the payment of certain costs and expenses incurred by the Corporation in connection with the Leased Property, as described in the Master Project Lease, including without limitation, fees of the Trustee, auditors, accountants, attorneys or engineers, insurance premiums and taxes ("Additional Rental Payments"). The Base Rental Payments under the Master Project Lease comprise principal and interest components evidenced and represented by the outstanding Certificates under the Trust Agreement.

The Leased Property

The Leased Property consists of three County-owned facilities known generally as the San Joaquin County Jail, the Human Services Agency Building and the Veteran's Services Parking Structure. The County has determined, by virtue of an appraisal, that the annual fair rental value of the Leased Property exceeds the annual Base Rental Payments in connection with the 2007 Certificates.

San Joaquin County Jail

The San Joaquin County Jail is located in French Camp in an unincorporated area within the County. The County Jail is located near several significant County operations including the County General Hospital, County Juvenile Detention Center and Medical Health Plan.

The parcel upon which the County Jail is located is approximately 68.2 acres. The County Jail facility, excluding the Honor Farm Facility which is not subject to the Master Project Lease, consists of 19 structures and occupies approximately 34.2 acres. The remaining acreage is available for development and has been included in the County's valuation for determining fair rental value of the Leased Property. The County Jail facilities subject to the Master Project Lease consist of buildings for administration, medical purposes, inmate jail and housing and a morgue. The administration, medical and jail and housing facilities were constructed in 1991, although an additional portion of inmate housing was constructed in 2003. The morgue was constructed in 1949 but has been updated.

Human Services Agency Building

The Human Services Agency Building is a modern general office building located at 333 West Washington Street in the City of Stockton in the County. The concrete and steel building was constructed in 1993 and is approximately 279,500 square feet. It is a five-story building and contains a partial basement. The building is located on a site of approximately 1.62 acres.

Veteran's Services/Parking Structure

The Veteran's Services/Parking Structure is located at the corner of Market and South Hunter Streets in the City of Stockton in the County. The 111,964 square foot structure was designed in conjunction with the Human Services Agency Building. The concrete and steel building was built in 1993. The structure houses the Veteran's Services Agency on the first floor of the northeast corner of the structure. That portion of the structure occupies approximately 3,445 square feet. Also located on the first floor is a County carpool area consisting of office and break room space, a service bay, car wash area and restrooms. The County carpool area is approximately 2,216 square feet in size. There is also an underground fuel tank on the property. The balance of the structure is a three-story parking garage, with the third story open. The facility is operated by the City of Stockton Central Parking District.

Additional or Substituted Capital Facilities

The Master Project Lease provides that, upon compliance with the conditions specified therein, the Corporation and the County may add real property as part of the Leased Property or substitute any real property as part of the Leased Property by amending the Master Site Lease and may add any Additional Capital Facilities or substitute any Additional Capital Facilities located or to be located thereon as part of the Capital Facilities and the Project by amending the Master Project Lease. Among other documents, the County must provide a certification, accompanied by a written appraisal from an independent appraiser, evidencing that the annual fair rental value of the Project after such amendment will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current or in any subsequent year ending on November 15. See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Project Lease - Additional or Substituted Capital Facilities."

Deleted Capital Facilities

The Master Project Lease provides that the Corporation and the County, upon compliance with the conditions specified therein, may delete any real property as part of the Leased Property and may delete any Capital Facility located thereon as part of the Capital Facilities and the Project. See "APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -- The Project Lease -- Deleted Capital Facilities" herein.

County Obligation to Pay

Notwithstanding any dispute between the County and the Corporation, the County must make all Base Rental Payments when due without deduction or offset of any kind and cannot withhold any such payments pending final resolution of such dispute. The Master Project Lease is a "net-net-net lease" and the County agrees that the rents will be an absolute net return to the Corporation free and clear of any expenses, charges or set-offs whatsoever.

Covenant to Budget and Appropriate

Pursuant to the Master Project Lease, the County has covenanted to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Master Project Lease in its annual budgets and to make the necessary annual appropriations for all such rental payments. The County will furnish to the Corporation and the Trustee on July 1 of each year a certification that the annual proposed budget of the County contains such necessary annual appropriations.

Insurance

The Leased Property will be insured to the extent set forth in the Master Project Lease. See "APPENDIX C -- Summary of Principal Legal Documents -- The Project Lease -- Insurance" and "THE PROJECT" herein.

The County is required to maintain use and occupancy insurance in an amount equal to 24 months of related Base Rental Payments in the event of total or partial loss of the Leased Property, or any portion thereof, due to damage, destruction or condemnation. Use and occupancy insurance does not cover loss due to earthquake unless the County has earthquake insurance at the time. The County currently does not have plans to obtain earthquake insurance with respect to the Leased Property; therefore loss of use and occupancy of any portion of the Leased Property due to damage or destruction resulting from an earthquake is not insured. See "RISK FACTORS" herein.

Abatement

Base Rental Payments are paid by the County in each rental payment period for and in consideration of the right of use and occupancy of, and continued quiet use and enjoyment of the Leased Property during each such period for which said rental is to be paid. Except to the extent of amounts held in the related Base Rental Payment Fund representing earned Base Rental Payments or any moneys in the Reserve Fund or otherwise available to the County, during any period in which, by reason of material damage or destruction or condemnation there is substantial interference with the use and possession by the County of any portion of the Leased Property, any such interference will first be allocated to that portion of the Leased Property usable by the County that was not financed with the proceeds of the Certificates, and thereafter rental payments due under the Master Project Lease with respect to each portion of the Leased Property financed with the proceeds of the Certificates will be abated proportionately, and the County waives any and all rights to terminate the Master Project Lease by virtue of any such interference and the Master Project Lease shall continue in full force and effect. The amount of abatement will be the fractional amount that the cost of the portion of the Leased Property financed with the proceeds of the Certificates so damaged or destroyed or condemned bears to the entire cost of the Leased Property financed with the proceeds of the Certificates, both as calculated by the County and set forth in writing to the Corporation and the Trustee. Such abatement will continue for the period commencing with the date of such damage or destruction or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property financed with the proceeds of the Certificates so damaged or destroyed or condemned.

Default and Remedies

Upon an Event of Default described below, the County will be deemed to be in default under the Master Project Lease and the Corporation (or the Trustee as assignee of the Corporation) may exercise any and all remedies available pursuant to law or granted pursuant to the Master Project Lease. See "SECURITY FOR THE CERTIFICATES -- Assignment" herein. Upon any such default, including a failure to pay Base Rental Payments, the Trustee as assignee of the Corporation may either (i) terminate the Master Project Lease and recover certain damages or (ii) continue to collect rent from the County on an annual basis by seeking a separate judgment each year for that year's defaulted Base Rental Payments and/or reenter the Leased Property, and relet it. **In the event of default, there is no remedy of the acceleration of the total Base Rental Payments due over the term of the related Master Project Lease, and the Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or to pay debt service thereon.**

Events of Default under the Master Project Lease include (i) the failure of the County to pay any rental payable under the Master Project Lease when the same becomes due and payable, and (ii) the failure of the County to keep, observe or perform any term, covenant or condition of the Master Project Lease to be kept or performed by the County after notice and the elapse of a 30-day grace period.

FOR A FURTHER DESCRIPTION OF THE PROVISIONS OF THE MASTER PROJECT LEASE, INCLUDING THE TERMS THEREOF AND A DESCRIPTION OF CERTAIN COVENANTS THEREIN, INCLUDING MAINTENANCE, UTILITIES, TAXES, ASSESSMENTS,

INSURANCE AND USES, EVENTS OF DEFAULT AND AVAILABLE REMEDIES, SEE "APPENDIX C -- SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -- THE MASTER PROJECT LEASE" ATTACHED HERETO.

CERTIFICATE INSURANCE

The following information has been furnished by MBIA Insurance Corporation ("MBIA" or the "Insurer") for use in this Official Statement. Reference is made to APPENDIX G for a specimen of the Insurance Policy.

MBIA 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 the Insurance Policy and MBIA set forth under the heading "CERTIFICATE INSURANCE". Additionally, MBIA makes no representation regarding the 2007 Certificates or the advisability of investing in the 2007 Certificates.

The Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest evidenced and represented by, the 2007 Certificates as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional prepayment or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the 2007 Certificates pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2007 Certificates. The Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory prepayments (other than mandatory sinking fund prepayments); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2007 Certificates upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurance Policy also does not insure against nonpayment of principal of or interest evidenced and represented by the 2007 Securities resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2007 Certificates.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a 2007 Certificate the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2007 Certificates or presentment of such other proof of ownership of the 2007 Certificates, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due with respect to the 2007 Certificates as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 2007

Certificates in any legal proceeding related to payment of insured amounts on the 2007 Certificates, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such 2007 Certificates, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2007 Certificates, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2007 Certificates. MBIA does not guaranty the market price of the 2007 Certificates nor does it guaranty that the ratings on the 2007 Certificates will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of $10.9 billion (audited), total liabilities of $6.9 billion (audited), and total capital and surplus of $4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of $11.2 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following document filed by the Company with the Securities and Exchange Commission (the "SEC") is incorporated by reference into this Official Statement:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the 2007 Certificates offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006 are available (i) over the Internet at the SEC's web site at http://www.sec.govhttp://www.sec.gov; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

There can be no assurances that payments made by the Insurer representing interest on the 2007 Certificates will be excluded from gross income, for federal tax purposes, in the event of nonappropriation by the County.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered along with all other information in this Official Statement by potential investors in evaluating the 2007 Certificates. However, the following does not purport to be an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the 2007 Certificates. There can be no assurance made that other risk factors will not become evident at any future time.

Base Rental Payments Not County Debt

THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF THE BASE RENTAL PAYMENTS OR ANY OTHER PAYMENTS DUE UNDER THE PROJECT LEASE. In the event that the County's revenue sources are less than its total obligations, the County could choose to fund other municipal services before making Base Rental Payments and other payments due under the Master Project Lease. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

No Tax Pledge

The obligations of the County to make the Base Rental Payments does not constitute an obligation of the County for which the County has levied or pledged any form of taxation. The obligation of the County to make the Base Rental Payments does not constitute a debt or indebtedness of the County, the State of California, or any of its political subdivisions, within the meaning of any constitutional or statutory debt limit or restriction.

Appropriation

Although the Master Project Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Master Project Lease, so long as the Leased Property is available for its use and possession, to make the Base Rental Payments from any source of legally available funds and the County has covenanted in the Master Project Lease that it will make the necessary annual appropriations within its budget for the Base Rental Payments. The County is currently liable on other obligations payable from general revenues which may have a priority over the Base Rental Payments and the Master Project Lease does not prohibit the County from incurring additional obligations payable from general fund revenues. In the event the County’s revenue sources are less than its total obligations, the County could choose to fund other services before making Base Rental Payments and other payments due under the Master Project Lease. The County’s ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of those provisions could result in an inability of the

County to make the Base Rental Payments when due. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

Abatement Risk

During any period in which, by reason of material damage or destruction or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Master Project Lease with respect to the Leased Property will be abated proportionately, and the County waives any and all rights to terminate the Master Project Lease by virtue of any such interference and the Master Project Lease shall continue in full force and effect. The method for calculating the amount of abatement is described in "BASE RENTAL PAYMENTS -- Abatement" herein.

Earthquake Insurance and Self-Insurance

The County does not carry earthquake insurance with respect to the Leased Property. Damage or destruction to the Leased Property caused by earthquake could result in the abatement of Base Rental Payments.

Pursuant to and under the circumstances described in the Master Project Lease, the County is permitted to self-insure for casualty, workers' compensation and standard comprehensive public entity liability. As a precondition to the implementation of such self-insurance the County will comply with the following terms: (i) self-insurance will be approved by an independent insurance consultant; (ii) the self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid (the adequacy of such fund to be determined annually by an independent insurance consultant) and any deficiencies in any self-insurance claims fund will be remedied in accordance with the recommendation of the insurance consultant; (iii) the self-insurance claims fund will be held in a separate fund by the County; (iv) in the event the self-insurance program is discontinued, the actuarial soundness of its claims reserve fund, as determined by an independent insurance consultant will be maintained and (v) the self-insurance program will be acceptable to the bond insurers for the Certificates and any Additional Certificates. The County may not self-insure for loss of use and occupancy of any portion of the Project. See "APPENDIX C -- Summary of Principal Legal Documents -- The Project Lease -- Insurance" herein. However, no assurance can be given that such self-insurance at the time of any casualty or loss will be adequate to cover any claims that might arise. See "APPENDIX A -- The County of San Joaquin Information Statement -- The County -- Self-Insurance Programs" herein.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Master Project Lease and the Trustee is not empowered to sell any of the Leased Property and use the proceeds of such sale to prepay the related Certificates or pay lease payments thereon. Any suit for money damages would be subject to limitations on legal remedies against counties in the State of California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below. THE TRUSTEE MAY NOT DECLARE THE CERTIFICATES TO BE DUE AND PAYABLE AND ACCELERATE PAYMENTS OF THE CERTIFICATES.

Limitation of Remedies

The enforcement of any remedies provided in the Master Project Lease and Trust Agreement could prove both expensive and time consuming. Although the Master Project Lease provides that if the County defaults the Trustee may reenter the Leased Property and relet it, portions of the Leased Property may not be easily recoverable, and even if recovered, could be of little value to others. Additionally, the Trustee may have limited ability to relet the Leased Property to provide a source of rental payments sufficient to pay the principal and interest represented by the Certificates so as to preserve the tax-exempt nature of the interest component of the Base Rental Payments. See "BASE RENTAL PAYMENTS -- Default and Remedies."

In addition to the limitations on remedies contained in the Master Project Lease and the Trust Agreement, the rights and remedies provided in the Trust Agreement and the Master Project Lease may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. Furthermore, due to the governmental nature of the Leased Property, it is not certain whether a court would permit the exercise of the remedy of reletting with respect thereto.

If the Trustee terminates the Master Project Lease and proceeds against the County to recover damages pursuant to the Master Project Lease, any suit for money damages would be subject to limitations on legal remedies against counties in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Change in Law. There can be no assurance that the California electorate will not at some future time adopt initiatives or that the legislature will not enact legislation that will amend the laws or the Constitution of the State of California resulting in a reduction of the funds legally available to the County to make Base Rental Payments, and consequently, having an adverse effect on the security for the Certificates.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution. Section 1(a) of Article XIII A of the California Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978 or (2) any 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. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is $1.00 per $100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirements that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These amendments have resulted in marginal reductions in the property tax revenues of the County. Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution. Article XIII B of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is the 1978-79 fiscal year, and the limit is adjusted annually to reflect changes in population, consumer prices and certain increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIII B include generally authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIII B does not limit the appropriation of moneys to pay debt service or indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose. Furthermore, in 1990, Article XIII B was amended to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds $100,000. As a result of this amendment, the appropriations to pay the lease payments on the County's long-term general fund lease obligations (including the Master Project Lease) are generally excluded from the County's appropriations limit.

The County's appropriation limit for the fiscal year ending June 30, 2006 was $352,743,738, for which expenditures subject to appropriation limitation were $204,503,544. For the fiscal year ending June 30, 2007, the County's projected appropriation limit is $375,256,789, of which $218,419,976 in expenditures are estimated to be subject to the limitation.

Statutory Spending Limitations. A statutory initiative ("Proposition 62") was adopted by the voters voting in the State at the November 4, 1986 General Election which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Proposition 218. On November 5, 1996, California voters approved Proposition 218, which added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The voter approval requirements of Proposition 218 reduce the County's flexibility to deal with fiscal problems by raising revenue, and no assurances can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements.

At this time, the County has determined that all current fees, taxes and assessments are in compliance with Proposition 218. However, the County's position is unclear regarding the extent to which Proposition 218 is impacted by a 1995 California Supreme Court ruling (the *Guardino* case) that upheld the voter approval requirements of a previously enacted state initiative (Proposition 62), particularly with regard to taxes imposed, extended or increased between November 5, 1986 and December 11, 1995.

Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges.

While the County is unable to predict how Proposition 218 will be interpreted or whether and to what extent Proposition 218 may be held valid under the California and United States Constitutions, or to what extent this measure will affect the revenues in the County's General Fund, and while no assurances can be given regarding the impact of the application of Proposition 218, the County does not expect Proposition 218 to materially adversely affect its ability to pay the Base Rental Payments when due.

THE COUNTY

For information concerning the County, see "APPENDIX A -- The County of San Joaquin Information Statement" herein.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Corporation was established for the purpose of facilitating the financing of public projects in the County.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel ("Special Counsel") to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of the Base Rental Payments paid by the County and received by the owners of the 2007 Certificates designated and representing interest is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expects to deliver an opinion at the time of execution and delivery of the 2007 Certificates substantially in the form set forth in Appendix D hereto, subject to the matters discussed below.

2007 Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium 2007 Certificates") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium 2007 Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium 2007 Certificate, will be reduced by the amount of amortizable certificate premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium 2007 Certificates should consult their own tax advisors with respect to the proper treatment of amortizable certificate premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2007 Certificates. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest with respect to the 2007 Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest with respect to the 2007 Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2007 Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel's attention after the date of issuance of the 2007 Certificates may adversely affect the value of, or the tax status of interest on, the 2007 Certificates.

Although Special Counsel is of the opinion that interest with respect to the 2007 Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2007 Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the 2007 Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the

Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2007 Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2007 Certificates. Prospective purchasers of the 2007 Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Special Counsel's engagement with respect to the 2007 Certificates ends with the issuance of the 2007 Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the 2007 Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2007 Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2007 Certificates, and may cause the County or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

Orrick, Herrington & Sutcliffe, San Francisco, California, Special Counsel to the County, will render an opinion with respect to the validity of the County's obligations under the Master Project Lease, a copy of which opinion is included as Appendix D attached hereto. Copies of such approving opinion will be available at the time of delivery of the 2007 Certificates. Special Counsel expresses no opinion with respect to the information contained in this Official Statement. Certain legal matters will be passed upon for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California, for the County by County Counsel and Nossaman, Guthner, Knox & Elliott, LLP, Sacramento, California, Disclosure Counsel, and for the Trustee by Dorsey & Whitney, Irvine, California. Payment of fees of Special Counsel and Disclosure Counsel are contingent upon sale and delivery of the Certificates.

LITIGATION

No litigation is pending or threatened concerning the validity of the 2007 Certificates, the Master Project Lease or the Trust Agreement, and an opinion of the County Counsel to that effect will be furnished to the purchaser at the time of the original delivery of the 2007 Certificates. The County is not aware of any litigation pending or threatened questioning the political existence of the County or contesting the County's ability to appropriate or make Base Rental Payments. There are a number of lawsuits and claims pending against the County. In the opinion of County Counsel, the aggregate amount of liability that the County might incur as a result of adverse decisions in such cases would be covered under the County's self-insurance program.

RATINGS

Moody's Investors Service and Standard & Poor's Corporation have assigned the 2007 Certificates the ratings of "Aaa" and "AAA," respectively, with the understanding that, upon delivery of the 2007 Certificates, the Insurance Policy will be issued by the Insurer and such rating agencies have assigned the 2007 Certificates the underlying ratings of “A2” and “A,” respectively, notwithstanding delivery of the Insurance Policy. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2007 Certificates. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment, circumstances so warrant. The County and the Trustee undertake no responsibility either to notify the owners of the 2007 Certificates of any revision or withdrawal of the ratings or to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2007 Certificates.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2007 Certificates, Grant Thornton LLP will deliver its independent certified public accountants verification report on the mathematical accuracy of certain computations, contained in the schedules provided to them which were prepared on behalf of the County by the Underwriters, relating to the sufficiency of the anticipated receipts from the securities deposited with the Escrow Bank (the “Escrow Securities”) to pay, on September 4, 2007, the principal and interest represented by the Refunded 1993 Certificates. See “TAX MATTERS.”

The report of Grant Thornton LLP will include the statement that the scope of their engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

UNDERWRITING

The 2007 Certificates are being purchased for reoffering by Banc of America Securities LLC, on behalf of itself, Citigroup Global Markets, Inc. and Goldman Sachs & Co. (the "Underwriters"). The Underwriters expect to purchase the 2007 Certificates at a purchase price of $119,002,084.59 (representing the principal amount of the 2007 Certificates less an underwriters' discount of $291,653.66 and plus original issue premium of $4,658,738.25). The Underwriters will purchase all of the 2007 Certificates if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2007 Certificates.

FINANCIAL ADVISOR

RBC Capital Markets served as Financial Advisor to the County in connection with the execution and delivery of the 2007 Certificates. RBC Capital Markets is the name under which RBC Dain Rauscher, Inc., a broker-dealer, conducts its investment banking business.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the 2007 Certificates. Quotations and summaries and explanations of the 2007 Certificates and of statutes and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

The preparation and distribution of this Official Statement have been authorized by the County.

COUNTY OF SAN JOAQUIN

By: /s/ Victor Mow
Chairman of the Board of Supervisors

By: /s/ Manuel Lopez
County Administrator

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APPENDIX A

The County of San Joaquin
Information Statement

THE COUNTY

General

The County of San Joaquin (the "County") was established by an act of the State Legislature on February 18, 1850, as one of California's original 27 counties. Located in the Central Valley portion of the State, the County covers approximately 1,448 square miles. In terms of population, it is the fifteenth largest county in the State.

As required under County ordinances, or by State or federal mandate, the County is responsible for activities involving public welfare, health and justice, and for the maintenance of public records. The County also maintains roads and other public facilities and operates recreational and cultural facilities serving the unincorporated areas of the County.

County Government

The County functions under general law and is governed by a five-member Board of Supervisors (the "Board") elected to four-year terms in district, nonpartisan elections. The Board appoints the County Administrator and the County Counsel. The County Administrator appoints the heads of six operations and support service divisions, which function as departments. The Board appoints twelve other department heads. Elected officials include the Auditor-Controller, Assessor-Recorder-County Clerk, District Attorney, Sheriff-Coroner-Public Administrator, and the Treasurer-Tax Collector.

Over 139,600 people live in the unincorporated area of the County. For them, the Board, through the County departments, provide all of the municipal services, including law enforcement, some fire prevention and protection, land use and zoning, building and business permits, local road building and maintenance, animal care and control, and public libraries.

Beyond these municipal services, the County provides a wide range of services to all of the people who live within its boundaries.

Services

Many of the County's functions are required under County ordinances or by State or federal mandate. State and federally mandated programs, primarily in the social and health services areas, are required to be maintained at certain minimum levels, which may, under certain conditions, limit the County's ability to control its budget. However, under certain State and federal programs, eligible costs are subject to reimbursement according to specific guidelines.

Health Related Services

Under State law, the County is required to administer State and federal health and welfare programs, and to provide for a portion of their costs with local revenues, such as sales and property taxes. People in all parts of the County receive benefits from these programs.

The County provides health services through its Health Care Services Agency (HCSA), including the San Joaquin General Hospital and eight outpatient clinics. Each year these health facilities admit nearly 9,900 patients, provide services for 260,000 outpatient visits, and deliver 2,400 babies. While many of these patients are indigent or covered by Medi-Cal, the County health care delivery system is available to provide quality health care to the entire community. Through affiliations with the University of California at Davis, San Francisco State University, and Stanford University medical schools, the

County’s HCSA is a major supplier of health care personnel in the region. Further, the County provides the Countywide paramedic training and certification program.

Under State law, counties also have the responsibility to provide and help pay for community mental health, drug and alcohol prevention and treatment programs. These services are located in both County facilities and in facilities operated by a network of private providers under contract. The San Joaquin General Hospital also provides trauma and emergency medical services in conjunction with the six private hospitals located in the County. The County’s HCSA currently provides approximately $307 million in annual health care services.

Disaster Services

The County coordinates an entire network of disaster services to handle floods, fires, storms, earthquakes, and other major emergencies such as hazardous waste incidents. To prevent floods and to conserve water, the County, in conjunction with local flood control and water conservation agencies, maintains and operates a system of levees and performs debris and channel clearance activities.

Justice Services

The County’s criminal justice network is supported largely by local County revenues. The Sheriff provides countywide law enforcement services to local police departments on request. With over 1,550 inmates housed in a men and women’s jail and honor farm facilities, the County maintains a jail system that is one of the largest among California counties.

By agreement (the “Court Agreement”) executed pursuant to State law by and between the Superior Courts and the County, the County provides a variety of administrative and operational services to the Superior Courts as well as security services. The Court Agreement terminates on June 30, 2007, unless extended by the County and the Courts. As of January 1, 1998, with the passage of the Trial Court Funding Act of 1997 (the “1997 Act” as discussed below), the State has assumed the funding responsibility of court operations from counties. The 1997 Act also returns some of the court fines and forfeitures to the counties and specifies an annual Maintenance-of-Effort (MOE) payment from counties to the State. The MOE payment is specified by State statute.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of taxes to cities, community redevelopment agencies, special districts, local school districts, and the County.

A second major government service is the County’s voter registration and election system, which serves approximately 322,600 registered voters and, in countywide elections, provides polling places throughout the County.

Culture and Recreation

The County operates a network of seven parks and recreational facilities that serve approximately 1.0 million park visitors annually. The County park system encompasses approximately 974 acres, including a zoo, floral displays, reservable buildings, campgrounds, and shelters.

Employees

The following summary sets forth the number of County employees for each fiscal year from 2001 to 2006. The reductions in Fiscal Years 2004 and 2005 correspond primarily to cuts in federal and State funding in the areas of law enforcement, social services, employment and training, and health programs. As a result of the County's Hiring Control Program, all but thirty-seven (37) of the deleted positions were then vacant and most of the employees actually impacted were placed in positions in other departments. The County anticipates modest growth in the law and justice areas with the expansion of County detention facilities in the next five years.

COUNTY OF SAN JOAQUIN
PERMANENT AND NON-PERMANENT EMPLOYEES

Year	Permanent	Full-Time Equivalent Non-Permanent	Total
2001	5,846	949.6	6,795.6
2002	6,302	880.9	7,182.9
2003	6,398	851.2	7,249.2
2004	6,080	575.7	6,655.7
2005	5,916	537.5	6,453.5
2006	5,921	529.6	6,450.6

Source: County of San Joaquin

Employee Relations and Collective Bargaining

County employees are represented by 15 bargaining units divided among 10 labor organizations, 71% of all County employees are represented by Service Employees International Union ("SEIU"), 25% are represented by nine other labor organizations, and the remaining 4% of County employees are unrepresented. There have been no major stoppages by County employees since August 2003.

Sheriff Non-Management (Deputy Sheriffs), Registered Nurses, Peace Officers Miscellaneous (District Attorney Investigators), Middle Management, Sheriff's Sergeants and all SEIU represented County employees are covered under negotiated agreements. However, the agreement with the Sheriff Non-Management bargaining unit will expire June 30, 2007. Additionally, agreements with the remaining four bargaining units, representing 9% of the County workforce, have expired and the County is currently in various stages of negotiations with the respective labor organizations. The following summary lists the bargaining units, the number of employees assigned to the bargaining unit and the expiration dates of the labor agreements as of May 15, 2007.

COUNTY OF SAN JOAQUIN
STATUS OF LABOR AGREEMENTS
As of May 15, 2007

Bargaining Unit	Number of Full-Time Employees	Agreement Expires
SEIU Units	4,254	06/30/2011
Middle Management	212	06/30/2011
Peace Officers Miscellaneous	27	06/30/2011
Sheriff's Sergeants	38	06/30/2011
Registered Nurses	440	06/30/2009
Sheriff's Non-Management	258	06/30/2007
Attorneys	137	12/31/2006
Correctional Officers	259	06/30/2006
Probation Officers	109	06/30/2006
Law Enforcement Management	23	06/30/2006

Source: County of San Joaquin

Retirement Programs

The County participates in the San Joaquin County Employees' Retirement Association (the "Association"). Employees of the Public Health Services Division of the Department of Health Care Services were members of the California Public Employees' Retirement System ("PERS") until June 26, 1993 (as further discussed below).

County Employees' Retirement Association

The Association was established July 1, 1946 under provisions of the County Employees' Retirement Law of 1937, as amended, and is governed by a nine member Retirement Board. The Association also administers the County's post-employment health plan. The Association is an independent entity, maintains its own accounting records, and its assets are not that of the County General Fund. Based on the most recent audited financial statement, the Association's assets totaled $3,016,421,502 at December 31, 2005. The County's covered payroll for the year ended December 31, 2005 totaled $296,473,000 and the total payroll was approximately $372,277,000. The Association's financial position and results of operations are reported in the Trust and Agency Fund of the County's financial statements and are prepared in accordance with Governmental Accounting Standards.

The Association covers employees of the County and certain special districts. The Association has two classes of membership, General and Safety. The former is integrated with the Social Security System and the latter generally is not. As of December 31, 2005, the Association had 10,464 members including active, deferred, retired, and survivors. Approximately 93.8% of the Association's active members are County employees.

Generally, a member may retire with an age and service allowance after completing ten years of credited service and attaining the minimum service retirement age of 50. Based on the Bureau of Labor Statistics' Consumers Price Index for the Bay Area, the monthly retirement allowance is adjusted up to 3% for the cost of living once a year.

The Association owned the following investments at December 31, 2004 and 2005:

Type of Investments	2004[1]	2005[1]
Common/preferred stocks	$958,198,650	$1,018,358,322
Commingled Funds	161,640,401	204,328,604
Assets-Backed Bonds	15,510,787	15,848,105
Corporate Bonds	180,291,803	187,924,611
Government & Agency Bonds	362,751,304	337,273,782
Short-Term Extendible Portfolio	16,883,717	19,839,092
Total	$1,695,276,662	$1,783,572,516

[1] Market Value.

Source: San Joaquin County Employee's Retirement Association Comprehensive Annual Financial Report

In June 1995, the Association implemented Governmental Accounting Standard Board (GASB) Statements 25 and 26. Standardized Measure of the Pension Benefit Obligation disclosure was discontinued, and now the funding-based measure of actuarial liabilities is used to evaluate the funding progress of the system. Analysis of the funding percentage over time will indicate whether the Plan is becoming financially stronger or weaker generally. The greater this percentage, the stronger the Plan.

Actuarial accrued liability as of January 1, 2006 was as follows:

Actuarial Value of Assets	$1,727,032,562
Actuarial Accrued Liability	1,935,818,338
Unfunded Actuarial Accrued Liability as of January 1, 2006	208,785,776
Funding Percentage	89.2%

Source: San Joaquin County Employees' Retirement Association Report on Actuarial Valuation

Significant actuarial assumptions used by the Association in determining the Actuarially Required Contribution include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 3.5% per year compounded annually, (c) additional projected salary increases of 2.25% per year, attributable to merit and longevity, and (d) post retirement cost of living increases.

Contribution rates are established in accordance with actuarially determined contribution requirements and derived through an actuarial valuation performed annually on a calendar year basis. Member contributions are payable over each employee's future working lifetime.

Shown below are the contributions for recent years.

COUNTY OF SAN JOAQUIN
PENSION PLAN CONTRIBUTIONS
Calendar Years 2000 Through 2005

Year	Employer	Employee	Total
2000	$14,702,986	$8,451,470	$23,154,456
2001	22,642,234	8,637,959	31,280,193
2002	25,015,678	10,258,209	35,273,887
2003	34,784,065	11,038,348	45,822,413
2004	42,688,367	11,005,744	53,694,111
2005	62,508,615	10,854,798	73,363,413

Source: San Joaquin County Employees' Retirement Association Comprehensive Annual Financial Report

Public Employees' Retirement System

On July 1, 1989, the San Joaquin Local Health District merged with the County and became the Public Health Services Division of the County Health Care Services. The County chose initially to have the public health employees remain in PERS, a multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within California.

Effective June 26, 1993, the County discontinued its public health employees' participation in PERS. The Public Health Services staff was transitioned into the San Joaquin County Employees' Retirement Association by reciprocity. However, the accumulated contribution for the County and employees remained with PERS.

Based upon the current PERS actuarial projections, there is no projected County obligation for terminating the PERS participation through June 30, 2007.

Other Post Employment Benefits

Other than post employment health benefits under the "sick leave bank" program and the "blended health premium" program, the County does not provide its employees any Other Post Employment Benefits (OPEB).

The sick leave bank program is administered by the San Joaquin County Employees' Retirement Association. Currently, the County provides its full-time employees with 12 days of paid sick leave per year. During their employment with the County, employees are allowed to accumulate their unused sick leave hours. There is no limit to the number of sick leave hours that employees can accumulate. For those employees who were hired on or before August 26, 2001 and have at least 160 accumulated sick leave hours at the time of their retirement, their unused sick leave hours, net of the cash-out portion up to 15% of the total, upon retirement are converted to a sick leave bank at a rate of $27.65 per hour, which is used to pay their post employment health insurance costs until the bank is exhausted and at that point, each retiree must pay for his/her medical benefits. As of December 31, 2005, there were 4,142 full-time employees and 891 retirees who were eligible for the sick leave bank program. The actuarial accrued liability was $34,578,000 with $16,636,000 of the actuarial value of the assets in the sick leave bank account, leaving an unfunded liability of $17,942,000 at December 31, 2005.

For the health insurance plans offered to both active employees and retirees, the County uses the blended health premium program in setting the health insurance premiums. Under the blended health premium program, the health insurance premiums are determined by blending the health care costs of both active employees and retirees. Since retirees are older and generally have higher health care costs than active employees, the retiree premium, therefore, is less than the true cost of coverage for retirees, thus creating an implicit subsidy. In accordance with the Governmental Accounting Standards Board Statements 43 and 45, an implicit rate subsidy is considered an OPEB. The cost of the implicit subsidy for current County retirees is estimated at $3,176,500 for fiscal year 2007-2008. The County has not determined the OPEB under the blended health premium program as of December 31, 2006. However, an actuarial consultant has been retained to conduct an actuarial study which is expected to be completed by June 2007.

County Investment Portfolio

The County Treasurer-Tax Collector manages funds deposited in the County Treasury by the County, County School Districts, Special Districts, Trusts and Agencies. State law requires that all moneys of the County, school districts and certain special districts be held in the County by the County Treasurer-Tax Collector. The County Treasurer-Tax Collector has accepted funds only from entities located within the County that consists of approximately 930 funds. Twenty-eight schools represent approximately 47 percent of the pool. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges.

As of December 31, 2006, the Treasurer's investments were as follows:

COUNTY OF SAN JOAQUIN
INVESTMENT POOL
Summary of Assets Held
(At Cost)

Currency and Vault	$ 231,510
Investments:	
Commercial Paper	457,423,374
Repurchase Agreements	599,000,000
L.A.I.F.	40,000,000
Federal Agencies	222,346,722
Certificates of Deposit	159,001,959
Bank Deposits:	
Wells Fargo	48,097,331
Bank of America	353,868
TOTAL TREASURY BALANCE	$1,526,554,764

Source: County Treasurer-Tax Collector

The composition of investments in the County pool will vary from time-to-time depending on cash flow needs of the County and public agencies invested in the pool, the maturity of investments, purchases of new securities, and due to fluctuations in interest rates.

As of December 31, 2006 the average maturity of the investments in the pool was approximately 88 days. Approximately 39 percent of the portfolio, including most commercial paper, had maturities less than one month. The market value as of that date exceeded cost.

The County pool is managed stressing safety, liquidity, and return in that order, as required by California Government Code Section 27000.5. All investments are in compliance with California Government Code Section 53601 *et seq.* and the County Treasurer-Tax Collector's Investment Policy, which was last approved May 2007. Subject to the approval of the Board of Supervisors, the County Treasurer-Tax Collector can amend the Investment Policy. A copy of the current Investment Policy is on file with the Board of Supervisors and a monthly detailed report of investments has been filed with the Board since 1991.

Budget Process

The County is required by State law to adopt a balanced budget by August 31st of each year. This involves a multi-step process. Upon release of the Governor's Budget in January, the County Administrator's Office (the "CAO") prepares a preliminary forecast of the County's budget based on current year expenditures, the Governor's Budget, and other projected revenue trends. Based on this forecast, a County Proposed Budget for the ensuing fiscal year, beginning July 1st, is developed, and projected resources are tentatively allocated to the various County programs.

The CAO presents the Proposed Budget to the Board of Supervisors. The Board is required by the County Budget Act to adopt a Proposed Budget no later than June 30th. Absent the adoption of a final County budget by June 30th, the appropriations approved in the Proposed Budget become effective for the new fiscal year until a final budget is adopted.

Between January and the time the State adopts its own budget, representatives of the CAO monitor, review, and analyze the State budget and all adjustments made by the State Legislature. Upon adoption of the final State budget, the CAO recommends revisions to the Proposed Budget to align County expenditures with approved State revenue. After conducting public hearings and deliberating the details of the budget, the Board adopts the Final County Budget by August 31st.

In order to ensure that the budget remains in balance throughout the fiscal year, the CAO monitors actual monthly expenditures and revenue receipts, and conducts comprehensive budget reviews quarterly. In the event of a projected year-end deficit, immediate steps will be taken in accordance with the State Constitution, to reduce expenditures. The County's ability to increase its revenues is limited by State laws that prohibit the imposition of fees to raise general revenue, except to recover the cost of regulation or provisions of services.

Revenues and Expenditures

The fiscal year 2006-07 County budget was adopted on June 22, 2006. The Board set tax rates in accordance with Article XIII A of the State Constitution. The County Auditor-Controller will allocate property tax revenues in accordance with Section 97.036 of the Revenue and Taxation Code, which provides the formula for distribution.

In the early 1990s there were several significant shifts among the State and counties in the sources of revenues and responsibilities for funding various programs. As part of the fiscal year 1991-92 budget process, the State transferred to counties the responsibility for determining the level of service and administering most mental health, public health, and some social service programs, thus reducing the State's obligations. The State also increased its share of certain welfare costs not borne by counties. To give counties the resources to meet these new obligations, counties directly receive the proceeds of a one-half cent sales tax increase and an increase in vehicle license fees.

The 1992-93 and 1993-94 State budget packages shifted $3.9 billion in property taxes from cities, counties, and special districts to schools, freeing State monies for other uses. The shift from counties was

$2.6 billion. The County's share was $42.9 million. This loss was partially offset by new State sales tax which was approved by voters on November 2, 1993 with the passage of Proposition 172.

On November 2, 2004, California voters overwhelmingly passed Proposition 1A, a constitutional amendment to protect local revenues. Proposition 1A provides local governments long-term fiscal protection and stability by preventing the State from raiding local government coffers for revenues during times of State fiscal crisis. While the State will be able to borrow revenues from local governments during fiscal emergencies, it can only do so with a two-thirds vote of the State Legislature and the Governor's signature. Borrowing can only take place twice during a 10-year period, and only after the prior loan has been repaid.

Other key elements of Proposition 1A include authorizing the State Legislature to approve voluntary exchanges of property tax for existing sales taxes; preventing the State from reducing the local Bradley-Burns sales and use tax rate of 1% or reallocating those revenues; and requiring the State, with limited exceptions, to either fund or suspend state-mandated programs.

The 2006-07 County budget adopted on June 22, 2006, totaled $1.355 billion (an 18.7% increase from the 2005-06 budget of $1.142 billion). A net of 126.6 full-time equivalent positions were added to the fiscal year 2005-06 levels. A net of 59.8 fee-supported positions were allocated to the health care, solid waste, and public safety programs. Another 10.5 positions were added to support State and federal-funded public assistance and public health programs. The remaining 56.3 new positions were largely funded with County general-purpose revenue and were assigned to the law and justice departments and administration/support activities.

See "Annual Budget" herein for a comparison of the Adopted General Fund Budget for fiscal years 2005-06 and 2006-07.

Assessed Valuations

The County Assessor, except for public utility property, which is assessed by the State Board of Equalization, establishes the assessed valuation of property in the County. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution.

As described under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATION - Article XIII A of the California Constitution," the full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction, or other factors. See "Property Tax - Tax Rate, Valuation and Levy" herein.

Property Taxes – Tax Rate, Valuation and Levy

Taxes are levied for each fiscal year from July 1st to June 30th on taxable real and personal property situated in the County as of the preceding January 1st. For assessment and collection purposes, all property (both real and personal) is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the roll containing (a) State Board of Equalization assessed (public utilities) property; and (b) property the taxes on which are secured by a lien on the real property which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. The "unsecured roll" is that part of the assessment roll containing property, such as business property on leased or rented premises, which is not secured by the underlying real property.

The primary changes in the "secured" and "unsecured" rolls are caused by (1) revaluation of all State Board of Equalization assessed properties; (2) revaluation of all business personal property; (3) revaluation of real property if an assessable change of ownership or completed new construction occurs; and (4) an inflation factor applied to all real property not otherwise effected in (3) above, not to exceed 2%. (See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.) The appropriate tax rate is applied to the changed assessment by the Auditor-Controller's Office resulting in an estimated tax levy for all property on both the "secured" and "unsecured" rolls.

In addition, legislation established the "supplemental" roll in 1983 which directs the Assessor to revalue real property to market value on the date such property changes ownership or upon completion of new construction to or upon such property (hereinafter, a "Supplemental Event"). Prior to the "supplemental" roll legislation, a new value due to changes in ownership and new construction were added to the assessment roll on January 1st following the change of ownership or completion of new construction. As a result, the change in property tax liability was not reflected until the fiscal year following the January 1st lien date.

As a result of the "supplemental" roll legislation, the current year property tax rate is applied to the revaluation and the taxes are adjusted by a pro-ration factor to reflect the portion of the remaining tax year after the Supplemental Event.

The following table describes the assessed valuation of property subject to taxation for fiscal years 2000-01 to 2006-07, and the tax collections in such years.

COUNTY OF SAN JOAQUIN
ASSESSED VALUATION OF PROPERTY SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2000-01 Through 2006-07
(In Thousands)

Fiscal Year	Real Estate	Improvements	Personal Property	Gross Assessed Valuation	Exemption	Net Assessed Valuation for Tax Purposes
2000-01	$8,937,406	$19,359,044	$2,252,468	$30,548,918	$1,608,162	$28,940,756
2001-02	9,653,397	21,786,750	2,122,038	33,562,185	1,680,002	31,882,183
2002-03	10,686,802	24,184,152	2,262,812	37,133,766	1,785,341	35,348,425
2003-04	12,052,579	26,074,990	2,508,480	40,636,049	1,881,171	38,754,878
2004-05	13,565,749	29,204,604	2,683,224	45,453,577	1,962,636	43,490,941
2005-06	15,769,469	33,379,369	2,944,754	52,093,592	2,073,991	50,019,601
2006-07	19,636,918	38,085,790	3,149,049	60,871,757	2,160,423	58,711,334

Source: County of San Joaquin Auditor-Controller

In accordance with the requirements of Article XIII A of the State Constitution, the County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes are apportioned on the basis of a formula first established by State law enacted in 1979 and modified in 1992, 1993, 1994 and 2004. Under this formula, the County and all other taxing entities receive a base year allocation adjusted in 1992 and 1993 in accordance with laws enacted as part of the State Budget Acts, plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas that were developed to permit the levying of taxes for less than countywide or less than citywide special districts.

Payment Dates and Liens

Property taxes on the secured roll are due in two installments, on November 1st and February 1st of each fiscal year, and if unpaid become delinquent on December 10th and April 10th, respectively. The penalty for delinquency is 10% of the delinquent taxes. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30th of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer-Tax Collector.

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

Property on the supplemental roll is eligible for billing 60 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered. Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent. These assessments are subject to the same penalties and default procedures as the secured and unsecured roll.

The following table sets forth a summary of ad valorem property tax levies for County General Fund purposes for fiscal years 2000-01 through 2006-07.

COUNTY OF SAN JOAQUIN
SUMMARY OF AD VALOREM PROPERTY TAXATION
Fiscal Years 2000-01 Through 2006-07

Fiscal Year	County General Fund Ad Valorem Property Tax Levies
2000-01	$ 54,577,941
2001-02	59,712,878
2002-03	66,726,395
2003-04	76,047,754
2004-05	83,991,993
2005-06	94,832,826
2006-07(1)	111,250,000

(1) Estimated
Source: County of San Joaquin Auditor-Controller

The following table sets forth the unsecured property tax roll and collections history for fiscal years 2000-01 through 2006-07.

COUNTY OF SAN JOAQUIN
UNSECURED PROPERTY TAX ROLL(1)
Fiscal Years 2000-01 Through 2006-07

Fiscal Year	Unsecured Property Levy at June 30th	Total Collections	Percentage of Total Collections to Original Levy
2000-01	$20,394,615	$19,397,721	95.1
2001-02	21,975,537	20,580,136	93.6
2002-03	24,858,089	23,156,082	93.1
2003-04	25,510,740	23,611,961	92.5
2004-05	27,168,485	25,884,209	95.2
2005-06	29,387,442	28,864,046	97.1
2006-07(2)	32,635,925	31,493,668	96.5

(1) The levy and collection data reflect the 1% levy allowed under Article XIII A of the State Constitution and additional taxes levied for voter-approved taxes for the County, cities, schools, and redevelopment agencies are included in the totals.
(2) Estimated

Source: County of San Joaquin Auditor-Controller

The following table sets forth a summary of the supplemental ad valorem property tax roll and collections history for fiscal years 2000-01 through 2006-07.

COUNTY OF SAN JOAQUIN
SUMMARY OF SUPPLEMENTAL AD VALOREM PROPERTY TAX ROLL
Fiscal Years 2000-01 Through 2006-07

Fiscal Year	Supplemental Roll Tax Charge (Net)	Total Collections June 30th[(1)]	Percentage of Total Collections to Original Levy
2000-01	$ 9,443,588	$ 8,754,926	92.7
2001-02	17,467,815	15,725,639	90.0
2002-03	22,337,780	20,117,809	90.0
2003-04	28,198,925	24,961,671	88.5
2004-05	36,400,968	32,312,605	88.7
2005-06	55,986,244	49,531,917	88.4
2006-07[(2)]	51,363,540	45,302,642	88.2

(1) Includes current and prior years' taxes, redemption penalties, and interest.
(2) Estimated

Source: County of San Joaquin Auditor-Controller

Alternate Property Tax Distribution Method (Teeter Plan)

The County by resolution of the Board of Supervisors effective in October 1993 elected to follow the procedures of Sections 4701 – 4717 of the California Revenue and Taxation Code, known as the "Teeter Plan" as to general taxes entered and collected on the secured tax roll. Legislation (SB 742) signed by the Governor on July 19, 1993 provided a financial inducement to utilize this more simplified accounting method. The County enacted the Teeter Plan in order to 1) take advantage of the one-time credit provided by SB 742 for fiscal year 1993-94; 2) simplify the property tax estimation and allocation process for the recipient agencies and the County Auditor-Controller; and 3) stabilize property tax revenues for all recipient agencies. As a result of this conversion, the amount of property tax transferred to school districts was reduced by $10.6 million in 1993-94. The County also received a one-time gain of $8.8 million representing the advancement of its proportionate share of the prior years' delinquent taxes. The Teeter Plan provided the County a one-time gain totaling $19.4 million; $10.2 million was used to cover the 1993-94, 1994-95 and 1995-96 budget shortfalls/one-time costs and the balance was used to finance the Tax Loss Reserve Fund requirement and a portion of the buy-out of the delinquent taxes.

Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest; therefore, a complex tax redemption distribution system for all taxing agencies is avoided. Pursuant to the Teeter Plan, the County establishes a tax loss reserve fund and a tax resources account and each entity levying property taxes in the County is credited 100% of their share of secured taxes and direct assessments by June 30th.

The County is responsible for determining the amount of the tax levy on each parcel that is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County Auditor-Controller determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit by June 30th. Such monies thereafter are drawn against by the taxing agency in the same manner as if the amount credited had been collected. The County determines which monies in the County treasury (including those credited to the tax loss reserve fund) shall be available to be drawn on to the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax defaulted property, they are distributed to the appropriate tax resources accounts.

The County has established a special fund known as the Tax Loss Reserve Fund, which as of June 30, 2006, had a balance of $17,950,170, for the purpose of insuring the County against delinquencies. All collections as a result of delinquencies, including interest and penalties, are retained by the County and are used to restore the balance in such fund to its necessary level if required. The County has the option in its sole discretion to terminate the Teeter Plan for any fiscal year, in which event any delinquencies attributable to the respective taxing agencies would be borne directly by the respective taxing agencies and would have the effect of reducing tax revenues. It also may terminate as to any entity whose delinquencies exceed 3% in a fiscal year.

Redevelopment Agencies

The California Community Redevelopment Law authorizes the redevelopment agency of any city to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues only on the "frozen" tax base unless modified through negotiation. The following table shows the tax allocations paid to redevelopment agencies located in the County.

REDEVELOPMENT AGENCY PROJECTS OF CITIES IN SAN JOAQUIN COUNTY
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS

Fiscal Years 2000-01 Through 2006-07

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2]
2000-01	$1,078,352,945	$1,223,294,057	$12,724,771
2001-02	1,078,352,945	1,507,259,417	15,518,841
2002-03	1,253,696,349	1,814,672,755	18,486,544
2003-04	2,822,700,489	2,203,860,779	23,688,346
2004-05	2,853,917,591	2,659,293,120	26,957,631
2005-06	4,538,704,817	3,748,189,849	38,711,865
2006-07[3]	4,550,617,924	4,903,260,101	43,323,488

(1) Full cash value for all redevelopment projects above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies within the County.
(2) Actual cash revenues collected by the County and subsequently paid to community redevelopment agencies net of pass-through payments and subject to debt limitation.
(3) Estimated

Source: County of San Joaquin Auditor-Controller

Largest Taxpayers

The 10 largest taxpayers in the County as shown on the 2006-07 tax roll and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. These 10 largest taxpayers have a total tax levy of approximately $21.9 million, or 3.7% of the County's 2006-07 tax levy.

COUNTY OF SAN JOAQUIN
TEN LARGEST TAXPAYERS
Fiscal Year 2006-07

Name	Nature of Business	Total Tax Levy
Pacific Gas & Electric	Public Utility	$ 7,637,000
Shea Mountain House	Developer	3,938,000
Lodi Gas Storage	Gas Storage	1,643,000
R.M.E., Inc.	Winery	1,631,000
General Mills	Packaged Food	1,536,000
Safeway, Inc	Food Distribution	1,314,000
Costco Wholesale Corp.	Distribution & Retail	1,156,000
GWF Energy	Electric Generator	1,152,000
AT&T	Public Utility	981,000
Leprino Foods Co.	Food Processing	974,000
Total		$ 21,962,000
Countywide Total		$585,582,000

Source: County of San Joaquin Assessor

County Facilities Fees

In June 2005, the County Board of Supervisors adopted Ordinance No. 4252 and a resolution establishing the County Facilities Fee Program and County Facilities Fees (CFF) to be collected upon each new residential and non-residential building permit issued within San Joaquin County. Subsequently, each of the seven cities in San Joaquin County also adopted their own ordinance and resolution establishing the CFF Program and collecting CFF within their respective jurisdictions in accordance with the "Agreement for the Administration of the County Facilities Fee Program" between the cities and the County. The Agreement also provides for annual fee adjustments based on the Engineering Construction Cost Index for the previous year in accordance with the Engineering News Record.

The purpose of the CFF Program is to provide part of the funding for regional facilities that support General Government, the County Jail, Probation and Juvenile Hall, San Joaquin General Hospital, and Stockton Metropolitan Airport. Fees collected from the CFF Program will also provide funding support for the expansion of unincorporated facilities that support the Sheriff, Community Development, Public Works, Motor Pool, and Government Services.

The County and the cities started collecting the CFF in August 2005. As of April 30, 2007, a total of $8,194,780 has been collected and no funds have been expended. The average monthly collection in fiscal year 2005-2006 was $415,840. The current CFF schedule, which became effective August 2006, is as follows:

COUNTY OF SAN JOAQUIN
COUNTY FACILITIES FEES SCHEDULE
As of August 2006

Land Use	Regional Facilities Fee	Unincorporated Facilities Fee
Residential (per unit)		
Single Family	$1,463	$1,839
Multi Family	$1,254	$1,578
Non-Residential (per sq. ft.)		
Commercial-Retail	$0.33	$0.42
Commercial-Office	$0.29	$0.37
Industrial	$0.17	$0.21

Source: County of San Joaquin

As permitted by the CFF Program, the County plans to use a portion of the CFF Program revenue that is applicable to the County Administration Building Project toward the Base Rental Payments of the 2007 Certificates. The revenue from the CFF Program may only be used to provide for the County's need for increased space due to increased demand for County services resulting from development growth within the County. The Project, when completed, will provide increased square footage occupied by the County's administrative personnel by approximately 29.85%. The County accordingly intends that the same percentage of the Base Rental Payments in connection with the 2007 Certificates be paid from the revenues under the CFF Program.

General Fund Financing Sources

The financing sources for the County's General Fund may be grouped into three major categories: Program-Specific Revenues, General Purpose Revenues, and Fund Balance.

Program-Specific Revenues. Approximately 61.6% of the County's 2006-07 General Fund budget consists of Program Specific Revenues which are derived primarily from State and federal subventions and grants, service charges and fees, Proposition 172 – Public Safety Sales Tax, and State Realignment Funds, among others. These revenues are dedicated to and can only be used for specific programs with which they are associated. The two departments that receive substantial State and federal subventions are Health Care Services for public health, alcohol and drug treatment programs, and the Human Services Agency for public assistance and community services programs.

General Purpose Revenues. General Purpose Revenues provide for approximately 29.4% of the 2006-07 General Fund budget. These revenues come primarily from property taxes, property taxes in lieu of vehicle license fees, penalties on delinquent property taxes, sales taxes, real property transfer tax, interest earnings, Tobacco Settlement funds, and miscellaneous other sources. Revenues derived from property taxes represent approximately 51.8% of these revenues. General Purpose Revenues are considered local discretionary funds and can be used for any purpose that is a legal County expenditure.

Fund Balance. The 2006-07 General Fund budget includes $69.3 million from available year-end fund balance, which represents approximately 9.0% of the General Fund budget. For fiscal year 2006-07, this source is dedicated entirely for one-time expenses, not for the support of ongoing operations.

Financial Statements

Governmental and fiduciary funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. The County government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Independently audited financial reports are prepared annually. The annual audit report is generally available about nine months after the June 30th close of each fiscal year. The County's current independent auditor is Bartig, Basler & Ray.

COUNTY OF SAN JOAQUIN
GENERAL FUND
(INCLUDES CONTINGENCY AND GENERAL RESERVE FUNDS)
COMBINED BALANCE SHEET
At June 30, 2006 Compared to June 30, 2005
(In Thousands)

	2004-05	2005-06
Assets		
Cash and Investments	$ 53,376	$87,732
Receivables	44,276	51,650
Due from Other Agencies/Funds	54,723	78,597
Inventory/Other Assets	26	26
Total Assets	**$152,402**	**$218,005**
Liabilities and Equities		
Accounts Payable	$6,041	$9,695
Accrued Expense	0	120
Accrued Payroll	12,782	3,867
Accrued Compensated Absences	16,865	19,802
Due to Other Funds	6,110	6,659
Deferred Revenue	53,772	54,848
Advance from Other Funds	2,490	2,391
Teeter Note	10,000	33,000
Fund Balance-Unavailable Encumbrance	14,882	14,782
Fund Balance-Unavailable Reserves	97	172
Fund Balance-Available	29,363	72,669
Total Liabilities and Equities	**$152,402**	**$218,005**

Source: County of San Joaquin General Purpose Financial Statements for 2005 and 2006

The fund balances contained in the following table are comprised of the County General Fund, Contingency Fund, and General Reserve Fund. The table compares the Actual General Fund revenues, expenditures, and fund balances for fiscal years 2001-02 through 2005-06.

COUNTY OF SAN JOAQUIN
GENERAL FUND
(INCLUDES CONTINGENCY AND GENERAL RESERVE FUNDS)
COMPARISON OF REVENUES, EXPENDITURES AND FUND BALANCES

Actual For Fiscal Years 2001-02 Through 2005-06
(In Thousands)

	2001-02	2002-03	2003-04	2004-05	2005-06
Receipts					
Taxes	$80,731	$87,928	$89,545	$143,635	$189,191
Licenses, Permits & Franchises	4,635	5,093	6,983	7,044	8,630
Fines, Forfeitures & Penalties	7,509	7,238	7,772	9,852	11,645
Use of Money & Property	4,995	1,611	1,132	2,560	5,288
Aid from Other Government Agencies	358,541	353,432	351,223	370,424	372,317
Charges for Current Services	29,235	34,146	37,915	39,033	37,692
Other Revenue	8,816	7,907	7,125	6,826	6,610
Total	$494,462	$497,355	$501,695	$579,374	$631,373
Disbursements					
General	$36,408	$34,512	$30,621	$30,535	$37,988
Public Protection	152,047	153,435	168,341	174,757	189,706
Public Ways & Facilities	95	46	71	0	0
Health and Sanitation	21,984	24,732	26,382	28,766	29,949
Public Assistance	232,698	238,329	247,203	264,544	268,983
Education	335	346	312	334	314
Recreation & Cultural Services	2,880	3,134	2,814	3,196	3,827
Capital Outlay	1,604	1,708	9,311	2,908	2,502
Debt Repayments	1,327	890	1,205	938	1,118
Total	$449,378	$457,132	$486,260	$505,978	$534,387
Receipts Over (Under) Disbursements	$45,084	$40,223	$15,435	$73,396	$96,986
Other Financing Sources (Uses)					
Long-Term Debt Proceeds	$0	$0	$115	$204	$426
Operating Transfers In [(1)]	4,391	3,521	6,714	7,297	9,263
Operating Transfers Out [(2)]	(50,551)	(40,987)	(40,995)	(46,441)	(63,394)
Total Other Financing Sources (Uses)	$(46,551)	$(37,466)	$(34,166)	$(38,940)	$(53,705)
Receipts and Other Financing Sources Over (Under) Disbursements	$(1,467)	$2,757	$ (18,731)	$34,456	$43,281
Fund Balances, Beginning Of Year	28,348	25,833	28,617	9,886	44,342
Prior period adjustments [(3)]	(1,048)	27	0	0	0
Fund Balance, End of Year	$25,833	$28,617	$9,886	$44,342	$87,623

[(1)] Operating Transfers In consist primarily of funds transferred between General Fund and Contingency Fund.

[(2)] Operating Transfers Out are monies transferred from the General Fund annually to other County operating funds, primarily as required County match for State grant money received by the Hospital Enterprise Fund and for replenishment of the Contingency Fund, as well as other mandated costs and contributions to enterprise funds.

[(3)] Prior period adjustments for 2001-02 and 2002-03 represent the additional reclassification of funds from Agency to General Fund in accordance with GASB 34.

Source: County of San Joaquin General Purpose Financial Statements

Annual Budget

The fiscal year 2006-07 budget was adopted on June 22, 2006. The Board of Supervisors is required to set tax rates by September 1st in accordance with Article XIII A of the State Constitution. (See "Ad Valorem Property Taxation.") The County Auditor-Controller is responsible for monitoring and reporting expenditures within budgeted appropriations.

Set forth below is the Adopted General Fund budgets for fiscal years 2005-06 and 2006-07.

COUNTY OF SAN JOAQUIN
ADOPTED GENERAL FUND BUDGET
For Fiscal Years 2005-06 and 2006-07
(In Thousands)

	2005-06	2006-07
Appropriations		
General [(1)]	$79,772	$168,491
Public Protection	195,036	213,651
Health and Sanitation [(2)]	100,129	67,074
Public Assistance	304,786	317,169
Education	327	358
Recreation and Cultural Services	4,075	5,110
Total Appropriations	$684,125	$771,853
Estimated Revenues		
Current Property Tax	$150,824	$177,886
Taxes Other Than Current Property	19,978	23,516
Licenses and Permits	6,779	7,200
Fines, Forfeitures, and Penalties	8,286	9,795
Use of Money and Property	1,207	5,074
Aid From Other Government Agencies		
State	228,058	242,710
Federal	155,158	164,486
Other	3,280	3,600
Charges for Current Services	38,611	40,612
Other Revenues	1,545	2,034
TOTAL ESTIMATED REVENUES	$613,726	$676,913
OTHER FINANCING SOURCES	59,572	25,605
ESTIMATED FUND BALANCE AVAILABLE	10,828	69,335
TOTAL AVAILABLE FINANCING	$684,126	$771,853
APPROPRIATIONS FOR CONTINGENCY[(3)]	$19,361	$31,103

[(1)] The increased appropriations for Fiscal Year 2006-07 primarily reflect an additional $71.9 million General Fund investment in the County Public Improvement Program and an additional $9.0 million transfer to the Reserve for Contingencies to replenish and bring the Reserve for Contingencies to the $31.1 million adopted level.

[(2)] The reduction in Fiscal Year 2006-07 reflected the elimination of the $34.5 million County match for the State Disproportionate Share Hospital Program as part of the Medi-Cal financing agreement between the State and the federal agencies.

[(3)] Appropriated fund, separate from the General Fund. The appropriations are available for transfers to and from any fund of the County.

Source: County of San Joaquin

Self-Insurance Programs

The County has established self-insurance programs for workers' compensation, unemployment, medical, dental, medical malpractice, and general liabilities. All County departments, including enterprise funds and internal service funds participate in the self-insurance program and make payments to the insurance funds. The insurance funds are responsible for collecting fees from other County funds, administering and paying claims and arranging the purchase of property and stop loss insurance.

The County carries insurance coverage for its property in the amount of $567 million, with replacement value of contents after the first $25,000 claimed; general liability and medical malpractice coverages both have a $1.0 million self-insured retention with excess coverage on the malpractice to $10 million and $25 million in general liability. The County also carries $100 million in airport liability with no deductible, and boiler and machinery coverage with a maximum of $1.0 million.

The activities related to such self-insurance programs are accounted for in trust funds. Accordingly, estimated liabilities for claims filed for incidents that have occurred through June 30, 2006 are reported in these funds. County officials believe that assets of the trust funds, together with funds to be provided in the future, will be adequate to meet all self-insured claims for property, general liability, unemployment, medical malpractice, medical and dental claims as they come due. In case of a catastrophic event however, no assurance can be given that such assets and funds will be adequate to meet all self-insured claims that will become payable by the County. Revenues of the trust funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums, and administrative expenses.

The balance in the combined self-insurance trust funds reserved for potential losses and administrative costs as of June 30, 2006 was $63.1 million.

Long-Term Obligations

The County has no outstanding general obligation bonds. The County has made use of various lease arrangements to finance capital facility and equipment needs. Under these arrangements, the financing entity usually acquires capital assets and then leases the asset or assets to the County. A summary of lease obligations and notes payable is presented in the following table:

COUNTY OF SAN JOAQUIN
LONG-TERM OBLIGATIONS
(In Thousands)

	Amount Outstanding as of June 30, 2006	Annual Base Rental FY 2006-07[1]
Enterprise Funds		
Capital Lease Obligations[2]	$152	$85
Notes Payable[3]	1,464	3
Compensated Absences[4]	5,257	4,756
Certificates of Participation[5]	116,035	6,080
	$122,908	$10,924
General Long-Term Debt		
Capital Lease Obligations[6]	$1,579	$374
Notes Payable[7]	4,005	334
Compensated Absences[4]	28,759	23,591
Certificates of Participation[5]	47,360	5,385
	$ 81,703	$29,684
Total	$204,611	$40,608

(1) Represents scheduled principal payments.
(2) Represents lease-purchase agreements entered for Solid Waste Enterprise's heavy equipment. The interest rate is 4.25%.
(3) Represents long-term loan issued by the County on behalf of the airport enterprise fund for the construction of the paint shop at the County airport. The term of the loan does not extend beyond October 2018 at an interest rate of 12%.
(4) Represents accrued vacation and other cash value of leave benefits already earned by employees but not yet paid.
(5) See "Capital Facilities Financing" below.
(6) Represents lease-purchase agreements entered into by the County with various lessors for purchase of equipment, including data processing equipment, copy machine, printing press, and mailing equipment. The lease terms on all these items do not extend beyond the year 2015. Interest rates range from 4.5% to 6.95%.
(7) Represents third party financing agreements entered into by the County for purchases of office automation equipment, touch screen voting machines, and certain capital improvements. It also includes a promissory note as a result of a lawsuit settlement for the rights to lease certain real property around the Stockton Metropolitan Airport. The terms on all these items do not extend beyond June 2040. Interest rates range from 5.12% to 12.0%.

Source: County of San Joaquin General Purpose Financial Statements

Capital Facilities Financing

On June 16, 1989, the County caused to be issued $47,895,000 in Certificates of Participation (1989 Human Services Facilities Project) ("Human Services Project Certificates"), the proceeds of which were used to acquire and to renovate an office building for the Family Support Division of the District Attorney's Office, to construct an office building and related parking facilities for the Human Services Agency of the County, and to acquire related furnishings and equipment. The County expects to continue to receive State and federal reimbursements of approximately 58% of the annual Base Rental Payments associated with the Human Services Project Certificates. All outstanding Human Services Project

Certificates were advance refunded with a portion of the proceeds of $110,740,000 in Series 1993 Certificates of Participation (Capital Facilities Project) described below.

On September 26, 1989, the County caused to be issued $40,899,100 in Certificates of Participation (1989 Jail and Sheriff's Operating Center Project) ("Jail Project Certificates"), the proceeds of which provided funds to finance the acquisition, construction, and installation of a new jail and a related sheriff's operating center for the County. All outstanding Jail Project Certificates were advance refunded with a portion of the proceeds of $110,740,000 in Series 1993 Certificates of Participation (Capital Facilities Project) described below.

On July 11, 1991, the County caused to be issued $16,690,000 in Certificates of Participation (1991 Public Facilities Project) ("1991 Project Certificates"), the proceeds of which were used to acquire or construct certain additional County facilities and equipment including the acquisition of an office building near the County's existing Administration Complex, the purchase and installation of furnishings and equipment in various County facilities, and construction of a drug treatment center. All outstanding 1991 Project Certificates were advance refunded with a portion of the proceeds of $110,740,000 in Series 1993 Certificates of Participation (Capital Facilities Project) described below.

On October 1, 1993, the County caused to be issued $110,740,000 in Certificates of Participation (1993 Capital Facilities Project) ("Capital Facilities Project Certificates"), the proceeds of which were used to advance refund all outstanding Human Services Project Certificates, Jail Project Certificates and 1991 Project Certificates. Additionally, a portion of the proceeds of the Capital Facilities Project Certificates were used to finance the cost of designing and constructing various improvements, which consist of an addition to the District Attorney's Office Family Support Division building owned by the County. The project was completed and occupied in January 1996.

Other Completed Long-Term Financings

On April 18, 1991, the County caused to be issued $5,775,000 Revenue Certificates of Participation (1991 North County Landfill Project) ("1991 Revenue Certificates"), the proceeds of which were used to finance the improvement of real property to be used as a replacement landfill site, including the construction of related facilities required in the implementation of the County's waste collection and recycling programs, to fund a related reserve fund, and to pay certain related delivery costs. The final maturity for the issue was in the year 2011. Debt service payments on the 1991 Revenue Certificates are paid out of Net Revenues (as defined in the Trust Agreement relating to the issuance of the Revenue Certificates) of the Solid Waste Enterprise Fund and are not an obligation of the County's General Fund. The project was completed and became operational in February 1992. All outstanding 1991 Revenue Certificates were advance refunded with a portion of the proceeds of $36,830,000 in Series 2003 Revenue Certificates of Participation (Solid Waste System Facilities Project) described below.

On February 4, 1993, the County caused to be issued $106,645,000 in Certificates of Participation (1993 General Hospital Project) ("1993 Certificates"), the proceeds of which were used to finance the acquisition and construction of a medical facility adjacent to the existing San Joaquin General Hospital (the "Hospital") to replace certain essential facilities of the Hospital, including construction of multiple building elements and replacement of the utility infrastructure for the hospital campus. The issue consists of serial and term current interest certificates. Since 1993, the County has received State Medi-Cal and federal reimbursements of approximately 50% of the annual base rental payments. Completion of this project resulted in a surplus of approximately $7 million in construction funds, which was subsequently transferred to the Base Rental Payment Fund for the debt service payments. All outstanding 1993 Certificates were advance refunded with a portion of the proceeds of $108,420,000 in Series 1999 Refunding Certificates of Participation (General Hospital Project).

On July 29, 1994, the County caused to be issued $17,670,000 Certificates of Participation (1994 Solid Waste System Facilities Project) ("1994 Revenue Certificates"), the proceeds of which were used to finance the improvement and renovation of the existing Lovelace Transfer Station, certain closure costs related to the Harney Lane Sanitary Landfill and construction of a new module at the North County Recycling and Sanitary Landfill, to fund a related reserve fund, and to pay certain related delivery costs. The final maturity for the issue was in the year 2019, with a maximum annual debt service of $1,901,515 occurring in fiscal year 2012-13. Debt service payments were designed to provide approximately level combined debt service for the 1991 and 1994 Revenue Certificates. Debt service payments on the 1994 Revenue Certificates are to be paid out of Net Revenues (as defined in the Trust Agreement relating to the issuance of the 1994 Revenue Certificates) of the Solid Waste Enterprise Fund and are not an obligation of the County's General Fund. All outstanding 1994 Revenue Certificates were advance refunded with a portion of the proceeds of $36,830,000 in Series 2003 Revenue Certificates of Participation (Solid Waste system Facilities Project) described below.

On May 8, 2003, the County caused to be issued $36,830,000 Revenue Certificates of Participation (2003 Solid Waste System Facilities Project) ("2003 Revenue Certificates"), the proceeds of which were used to advance refund all outstanding 1991 Revenue Certificates and 1994 Revenue Certificates. Additionally, $17,014,000 of the proceeds from the 2003 Revenue Certificates was used to finance various solid waste facilities projects. As of March 31, 2007 approximately $15,858,000 has been spent or committed for these projects. The unexpended or committed balance from the 2003 Revenue Certificates is programmed for construction of sorting floor repairs at both the North County Recycling Center and the Lovelace Transfer Station, and the consultant studies for future capacity expansion projects. It is anticipated that the sorting floor repair projects, totaling $1,100,000, will be completed by December 2007 and the remaining funds will be expended by December 2009, developing plans for future capacity expansion projects.

Debt Service and Related Revenue Sources

The following chart includes a summary of the County's long-term lease financings and related debt service, as well as anticipated amounts of offsetting revenue sources which include revenues derived from capital cost reimbursements under various State and federal programs; the County's CFF Program; traffic fines and penalty assessments available for Court and Court-related operations; energy conservation savings; grants; accumulated trust fund moneys; and various revenue offsets through termination of existing leases and parking facility revenues. The chart reflects the County's best estimate of its gross debt service obligation after application of these expected revenue sources. While the County has relied upon current information in preparing these estimates, continued receipt of certain dedicated revenue sources may be subject to events beyond the County's control.

COUNTY OF SAN JOAQUIN
LONG-TERM GENERAL FUND INDEBTEDNESS
ANNUAL GROSS DEBT SERVICE AND PROJECTED RELATED REVENUE SOURCES
Actual for Fiscal Years 1997-98 Through 2005-06 and
Projected for Fiscal Years 2006-07 Through 2010-11

Fiscal Year Ended June 30th	Internal Service Funds	General Long-Term Debt	COP Debt Service	Combined Gross Debt Service [1]	Combined Revenue Sources	Net Debt Service
1998	$1,447,235	$585,907	$17,912,949	$19,946,091	$ (13,900,005)	$6,046,086
1999	1,310,460	884,207	17,776,211	19,970,878	(13,398,783)	6,572,095
2000	2,153,826	793,736	15,906,013	18,853,575	(12,665,760)	6,187,816
2001	2,391,293	1,205,971	15,724,322	19,321,586	(12,397,364)	6,924,222
2002	2,266,590	853,290	15,485,392	18,605,272	(12,335,170)	6,270,102
2003	1,898,587	744,355	15,503,779	18,146,721	(12,003,548)	6,143,173
2004	1,439,073	740,676	15,544,112	17,723,861	(13,496,543)	4,227,318
2005	1,800,531	528,288	15,557,353	17,886,172	(12,628,391)	5,257,781
2006	532,984	452,679	15,590,965	16,576,628	(12,382,501)	4,194,127
2007[2]	284,585	442,559	15,615,848	16,342,992	(12,240,914)	4,102,078
2008[2]	232,984	422,629	20,029,845	20,685,458	(16,100,110)	4,585,347
2009[2]	195,948	413,481	20,396,728	21,006,157	(15,766,110)	5,240,047
2010[2]	132,215	413,318	16,267,626	16,813,159	(12,217,169)	4,595,989
2011[2]	132,215	413,050	16,285,789	16,831,054	(12,199,957)	4,631,096

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(1) Combined Gross Debt Service does not factor in interest earnings on various funds (such as the respective debt service reserve funds, and construction or project funds) which are scheduled to flow to pay for debt service.

(2) Estimated. Includes the 2007 Certificates and assumes the non-refunded 1993 Certificates remain outstanding.

Source: County of San Joaquin

Direct and Overlapping Debt

The County contains numerous municipalities, school districts, and special purpose districts such as water districts, a number of which have issued general obligation bonds. A statement of overlapping debt (the "Debt Report") prepared by California Municipal Statistics, Inc. of San Francisco, California, is presented below.

The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report and makes no representations as to its completeness or accuracy.

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 in whole or in part. Such long-term obligations generally are not payable from General Fund 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.

COUNTY OF SAN JOAQUIN
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT

2006-07 Assessed Valuation:	$59,421,022,634	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	4,903,260,101	
Adjusted Assessed Valuation:	$54,517,762,533	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/07	
San Joaquin Delta Community College District	88.044%	$ 72,400,245	
Escalon Unified School District	100.	7,309,157	
Lincoln Unified School District	100.	42,452,672	
Linden Unified School District	100.	11,848,084	
Lodi Unified School District	100.	105,175,000	
Manteca Unified School District	100.	66,342,004	
Ripon Unified School District	100.	11,550,000	
Stockton Unified School District	100.	134,180,000	
Tracy Joint Unified School District	99.494	13,929,160	
Other School Districts	Various	5,245,360	
Lammersville School District Community Facilities District No. 2002	100.	49,950,000	
Lincoln Unified School District Community Facilities District No. 1	100.	29,745,814	
Manteca Unified School District Community Facilities Districts	100.	82,991,013	
Galt Schools Joint Powers Authority Community Facilities District No. 1	2.200	251,460	
City of Lathrop Community Facilities Districts	100.	66,111,246	
City of Stockton Community Facilities Districts	100.	110,540,900	
City of Tracy Community Facilities Districts	100.	175,265,000	
River Islands Public Financing Authority Community Facilities District No. 2003	100.	44,425,000	
Reclamation District Community Facilities Districts	100.	7,470,000	
San Joaquin County Service Area Nos. 12 and 14	100.	148,000	
Other Special Districts	100.	10,892	
San Joaquin Area Flood Control Assessment District	100.	16,380,000	
City 1915 Act Bonds	100.	93,593,664	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$1,147,314,671	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County General Fund Obligations	**100. %**	**$121,090,000**	(1)
Escalon Unified School District Certificates of Participation	100.	3,325,000	
Lincoln Unified School District Certificates of Participation	100.	3,380,000	
Lodi Unified School District Certificates of Participation	100.	36,275,000	
Ripon Unified School District Certificates of Participation	100.	3,630,000	
Stockton Unified School District Certificates of Participation	100.	24,842,346	
Other School Districts Certificates of Participation	Various	4,510,029	
City of Lathrop General Fund Obligations	100.	8,090,000	
City of Lodi General Fund Obligations	100.	23,975,000	
City of Stockton General Fund Obligations	100.	106,860,000	
City of Tracy Certificates of Participation	100.	12,600,000	
Other City Certificates of Participation	100.	1,295,985	
South San Joaquin Irrigation District Certificates of Participation	100.	5,180,000	
Ripon Consolidated Fire Protection District Certificates of Participation	100.	290,993	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$355,344,353	
Less: South San Joaquin Irrigation District Certificates of Participation		5,180,000	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$350,164,353	
GROSS COMBINED TOTAL DEBT		$1,502,659,024	(2)
NET COMBINED TOTAL DEBT		$1,497,479,024	

(1) Excludes Certificates of Participation to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-07 Assessed Valuation:
Total Overlapping Tax and Assessment Debt..................1.93%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($121,090,000) 0.22%
Gross Combined Total Debt 2.76%
Net Combined Total Debt..2.75%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: $12,117

Source: California Municipal Statistics, Inc. (Prepared March 1, 2007)

Health Care Services

There are four divisions of the County's Health Care Services Agency: San Joaquin General Hospital, Behavioral Health Services, Public Health Services, and Emergency Medical Services. In fiscal year 2006-07, there is anticipated to be $307,017,721 in total budgeted expenditures for all Health Care Services programs.

The net County cost of all Health Care Services programs is anticipated to be $28,690,235 for fiscal year 2006-07. This cost includes $4,460,182 in required matches to receive sales tax and Vehicle License Fee revenues from the State to pay for program responsibilities shifted from the State to the County due to the State's 1991-92 budget. The remainder of the net County cost for Health Care Services consists of $19,966,414 in mandated costs for Public Health and Correctional Health programs; $3,235,000 in discretionary contributions to the General Hospital for operations and expanded health access programs; and $1,028,638 in discretionary contributions to Behavioral Health Services programs.

San Joaquin General Hospital (the "Hospital") is a general acute facility, providing a full range of health care services. Currently, the Hospital is licensed by the State of California Department of Health Services to operate 196 general acute care beds and 11 chronic dialysis stations. The Hospital provides comprehensive health care services to residents of the County, trains physicians, nurses, and other medical personnel, and provides specialized health care services not otherwise available in the community. It serves a large percentage of the County's Medi-Cal and Medicare patients. As of July 1, 2006, the Hospital employed approximately 1,433 employees (1,168 full-time and 265 part-time) in connection with the operation of the Hospital. The Hospital was established as an Enterprise Fund of the County on July 1, 1975, and is an integral accounting entity of the County.

The San Joaquin General Hospital budget depends on Medi-Cal and Medicare programs for $96,778,311 or 56% of its total operating revenues for fiscal year 2005-06. This is an increase of $3,922,777 from fiscal year 2004-05 largely due to rate adjustments, not increased activity.

ECONOMIC AND DEMOGRAPHIC INFORMATION

History

The County acquired its name from the river that the early Spanish explorer, Lt. Gabriel Moraga, had previously named after Saint Joachim. Early development of the area began in 1846 when the German settler, Captain Charles Weber, acquired a land grant in north central California from the Mexican government. Weber recognized that the present day site of Stockton would be an ideal location for establishing a trading center, due to its water linkage with San Francisco Bay. The importance of Weber's trading post increased greatly with the discovery of gold in 1848 in the Sierra Nevada foothills. In 1850, when California was admitted to the Union, the County was one of its original 27 counties. In the mid-1850's agriculture became a major industry in the County and, today, maintains an important position in the economy of the County.

The County has a total area of approximately 1,448 square miles. It is located in north central California, lying in the great Central Valley between the Diablo mountain range and the Sierra Nevada mountain range. The County is flat farmland broken by foothills in the east and Mt. Boardman in the west. The western and the northwestern portions of the County are fertile delta lands created by the confluence of the San Joaquin, Mokelumne, and Sacramento Rivers. The fertile soil and the long growing season created by the climate of rainy winters and dry, hot summers, have played a major role in establishing the County as one of the leading agricultural counties in the country. With approximately

87% of the total land area of the County occupied by farms and ranches, agriculture and agribusiness are the most important sectors of the County's economy.

Population

The County's population in 2006 was estimated to be 674,323 persons. The County's 2006 population was approximately 18.3% greater than the 2000 population and 40.3% greater than the 1990 population.

A summary of the population estimates of the County and the State for the past seven years is shown in the following table.

SAN JOAQUIN COUNTY AND STATE OF CALIFORNIA
Population
1950-2006

Year[1]	County of San Joaquin	Percent Change	State of California	Percent Change
1950[2]	200,750	--	10,586,223	--
1960[2]	249,989	24.5%	15,717,204	48.5%
1970[2]	290,208	16.1	19,953,134	26.9
1980[2]	347,342	19.7	23,667,902	18.6
1990[2]	480,628	38.4	29,760,021	25.7
2000	568,932	18.6	34,098,740	14.6
2001	591,307	3.93	34,784,382	2.01
2002	608,337	2.88	35,392,960	1.75
2003	626,513	2.99	35,990,107	1.69
2004	645,645	3.05	36,522,026	1.48
2005	662,008	2.53	36,981,931	1.26
2006	674,323	1.86	37,444,385	1.25

(1) As of July 1st.
(2) U.S. Census Bureau as of April 1 for 1950 through 1990.
Source: California State Department of Finance, Demographic Research Unit

Labor Force

The following table summarizes the labor force, employment and unemployment figures over the past five years for the County, the State of California and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
San Joaquin County, State Of California and United States
2000 Through 2006

Area	Labor Force	Employment	Unemployment Rate
2000			
San Joaquin County	257,200	234,400	8.9%
California	16,857,500	16,024,300	4.9
United States(1)	142,583,000	136,891,000	4.0
2001			
San Joaquin County	262,300	239,100	8.8%
California	17,152,100	16,220,000	5.4
United States	143,734,000	136,933,000	4.7
2002			
San Joaquin County	272,400	245,100	10.0%
California	17,330,700	16,168,200	6.7
United States	144,863,000	136,485,000	5.8
2003			
San Joaquin County	279,000	250,800	10.1%
California	17,403,900	16,212,600	6.8
United States(1)	146,510,000	137,736,000	6.0
2004			
San Joaquin County(2)	285,200	261,000	8.5%
California(2)	17,499,600	16,407,900	6.2
United States	147,401,000	139,252,000	5.5
2005			
San Joaquin County	285,800	263,900	7.6%
California	17,695,600	16,746,900	5.4
United States(1)	149,321,000	141,730,000	5.1
2006			
San Joaquin County	287,800	266,400	7.4%
California	17,901,900	17,029,300	4.9
United States	152,775,000*	145,926,000*	4.6

(1) Data are not strictly comparable with data for prior years because of revisions in the population controls used in the household survey.
(2) The methodologies for calculating labor force data were changed in 2005, starting with the year 2004. Previously released data is not comparable to the new data.
* 2006 Annual Averages for United States not yet available. Numbers are as of December 2006.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department

Industry Employment

The following table summarizes employment by industry in the County from 2001 to 2006. Government, Retail Trade and Education and Health Services are the largest employment sectors in the County.

ANNUAL AVERAGE INDUSTRY EMPLOYMENT
San Joaquin County
2001 Through 2006

	2001	2002	2003	2004	2005	2006
Farm	15,700	15,900	16,600	16,000	15,200	15,100
Natural Resources & Mining	200	200	200	200	200	200
Construction	13,200	13,500	14,400	15,300	16,700	16,100
Manufacturing	22,500	20,800	20,400	20,700	20,900	21,600
Wholesale Trade	6,700	7,200	7,800	8,200	9,100	9,700
Retail Trade	24,600	24,800	25,300	25,900	26,900	27,100
Transportation, Warehousing & Utilities	12,300	12,700	13,400	13,300	13,00	13,600
Information	3,300	3,100	2,900	2,800	2,600	2,500
Financial Activities	8,900	9,400	9,900	9,600	9.800	9,900
Professional & Business Services	16,900	16,800	17,000	17, 900	18,100	18,700
Education & Health Services	22,300	23,200	23,900	24,400	25,600	26,000
Leisure and Hospitality	15,300	15,900	16,400	16,800	17,100	17,300
Other Services	6,100	6,300	6,300	6,300	6,400	6,300
Government	38,800	40,100	39,500	39,400	39,600	39,600
Total All Industries	206,800	210,000	213,800	216,500	221,000	223,700

Note: Parts may not add to totals due to independent calculations and rounding of annual averages. Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and person involved in labor/management trade disputes. Employment reported by place of work. March 2005 Benchmark.

Source: California Employment Development Department

The following table details the largest private employers currently located in San Joaquin County.

COUNTY OF SAN JOAQUIN
MAJOR PRIVATE EMPLOYERS
2006

Company	Product	Number of Jobs
St. Joseph's Medical Center	Health Care	4,000
Safeway Distribution Center	Grocery Distribution	1,750
Pacific Gas & Electric Co.	Utility	1,100
Kaiser Permanente	Health Care	1,065
Washington Mutual	Financial	1,000
University of the Pacific	Education	1,000
California Cedar Products	Wood Products	750
TeleTech	Customer Service	720
Diamond of California	Food Processors	715
Eckert Cold Storage/Frozen Foods	Food Processors	600

Source: San Joaquin Partnership

Taxable Sales

Taxable transactions in the County now exceed $9.6 billion annually. A history of taxable transactions is shown below.

COUNTY OF SAN JOAQUIN
Taxable Transactions By Type
For the Fiscal Years 2000 Through 2005
(Dollars in Thousands)

	2000	2001	2002	2003	2004	2005
Apparel Stores	$118,534	$134,601	$140,058	$155,844	$183,175	$203,123
General Merchandise	770,922	819,610	860,675	916,501	977,739	1,053,886
Specialty Stores	427,777	454,270	552,733	569,507	619,172	695,780
Food Stores	337,747	357,698	353,959	372,500	400,399	424,270
Eating & Drinking	402,177	439,657	470,032	495,527	536,564	580,022
Household	129,565	129,850	140,851	153,863	165,888	180,523
Building Materials	381,159	438,389	476,911	587,259	782,333	852,080
Automotive	1,473,648	1,693,511	1,744,363	1,876,502	2,011,583	2,252,456
All Other Retail Stores	345,490	349,987	358,989	387,392	430,458	516,623
Retail Stores Total	4,387,019	4,817,573	5,098,571	5,514,895	6,107,311	6,758,763
Business & Personal Services	232,632	264,372	289,838	280,896	286,541	302,195
All Other Outlets	1,962,702	1,913,960	1,917,177	1,950,077	2,309,389	2,552,101
Total All Outlets	$6,582,353	$6,995,905	$7,305,586	$7,745,868	$8,703,241	$9,613,059

Source: California State Board of Equalization

Construction Activity

The County issued building permits valued in excess of over $1.3 billion in 2006. Of the total dollar volume, approximately 67% consisted of new residential construction.

COUNTY OF SAN JOAQUIN
Building Permit Valuations
2001 Through 2006
(Dollars in Thousands)

Valuation ($000's)	2001	2002	2003	2004	2005	2006
Residential	$710,178	$1,054,647	$1,296,854	$1,383,611	$1,485,917	$ 877,232
Non-Residential	297,514	317,556	98,870	380,990	433,374	435,913
Total	$1,007,692	$1,372,203	$1,695,724	$1,764,601	$1,919,291	$1,313,145
New Dwelling Units:						
Single Family	4,063	5,781	6,727	6,378	5,972	3,432
Multiple Family	336	499	225	508	300	210
Total	4,399	6,280	6,952	6,886	6,272	3,642

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board

Regional Economy

While the County's population growth has accelerated to a level in excess of the statewide growth rates during the 1980's, the composition of employment growth has also changed. Net in-migration has accounted for 70% of the population increase since 1980. New residents are primarily commuters from the San Francisco Bay Area and Asian immigrants relocating from within the United States.

Since 1988, non-agriculture employment growth in the County has grown at an approximate 1.7% annual average rate, compared to an approximate 1.0% annual average rate for the Bay Area. The composition of employment in the County is also changing rapidly. Agriculture, while still important, is of declining importance as a major employer compared to earlier decades. Service wholesale trade growth has been strong, with indications that the economy is becoming a significant producer and distributor to West Coast markets. Numerous firms from across the nation have been attracted to locate in the County which has become one of the top areas in the nation have been attracted to locate in the County which has become one of the top areas in the nation for new industrial locations and construction. Only the counties of Santa Clara, Los Angeles and Orange have attracted more industrial plants in California.

Although the Bay Area housing markets are influencing parts of the County, housing prices have grown far more slowly in the County, giving the County a good supply of affordable housing.

The ability of existing manufacturing firms to adapt to new technologies and customer bases has helped to stabilize some major long-term employers. New product development and acquisition by local business owners is injecting new growth potential into the County. Transportation advantages, the large West Coast market, affordable housing, and an ample labor pool have attracted new employers from throughout the world to locations within the County.

Demand for goods and services from the Bay Area is bringing new populations and firms seeking less expensive locations to the County. New specialized clusters of firms are developing, from auto plant suppliers to firms serving fast-food restaurants. The County continues to seek out firms desiring a strategic location for servicing West Coast markets.

On balance, the County expects to continue to be a participant in the overall growth occurring in Northern California. The County's particular economic strength rests in its economic diversity and the ability of older, established industries to adapt to changing conditions.

Agriculture

The gross value of agricultural production for 2005 in San Joaquin County is estimated to be an all time high of $1,749,113,000. This represents an 8.4% increase from the estimated 2004 value of $1,613,289,000. Highlights of the 2005 crop year are as follows:

- Significant increases occurred in Livestock & Poultry and Fruit & Nut Crops values.

- Milk is the County's most valuable agricultural commodity again in 2005. Even though milk production increased, lower prices caused a net decrease in value of 3%.

- Wine grape acreage, yields, and prices were up in 2005, contributing to a 53% increase in total grape value from the previous year.

- Cherries and other stone fruit crops suffered yield losses due to late spring rains and lack of adequate chill hours during the winter months.

- The price of almonds rose more than 20% from the previous season, keeping almonds the third most valuable agricultural commodity in San Joaquin County.

The following table provides a five-year summary of agricultural production in the County.

COUNTY OF SAN JOAQUIN
AGRICULTURAL PRODUCTION
Calendar Years 2001 Through 2005
(In Thousands)

	2001	2002	2003	2004	2005
Field Crops	$150,922	$154,114	$135,587	$151,763	$160,948
Fruit and Nut Crops	546,935	517,295	593,542	617,275	717,306
Vegetable Crops	227,252	246,984	258,970	273,140	263,553
Seed Crops	7,942	7,961	8,447	6,559	3,198
Nursery Products	99,224	119,072	130,017	137,657	141,473
Livestock & Poultry	39,907	37,280	49,050	61,464	110,513
Livestock & Poultry Products	310,027	252,311	310,188	354,858	333,642
Apiary Products	7,668	8,791	8,892	10,573	12,663
Total	$1,389,877	$1,343,808	$1,494,693	$1,613,289	$1,743,296

Note: Totals may not add to sums because of rounding.

Source: County of San Joaquin Department of Agriculture

County Water Supply

The County, on average, receives approximately fifteen inches of rainfall each year. This rainfall generally falls between the months of November through April. The average annual rainfall in the County, as well as most of California, occurs during the winter months and is insufficient where needed to support a variety of agricultural production practices. Consequently, agriculture must rely on the use of extensive irrigation systems in order to supply water to crops. The County presently meets the balance of its water supply needs from local surface supplies and from groundwater.

All urban areas throughout the County reply on groundwater resources to some extent. The City of Stockton, in above normal rainfall years, primarily meets its water needs with surface water supplies from the Calaveras and Stanislaus Rivers.

Significant efforts are being put forth by independent public agencies within the County to obtain supplemental surface water supplies from sources outside of the County in order to sustain the use of surface and groundwater resources. Water conservation practices continue to be emphasized in urban areas and have resulted in an up to 12% decrease in water use. However, this is still insufficient to meet current water supply demands and to enhance groundwater levels and prevent further saline intrusion. Additional projects including the City of Stockton's Delta Water Supply Project together with other projects like Stockton East Water District's Farmington Program, the MORE WATER Project and the American River – Freeport Element will help meet this demand in the future.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, non-tax payments, fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2000 through 2005.

SAN JOAQUIN COUNTY, CALIFORNIA AND UNITED STATES
TOTAL EFFECTIVE BUYING INCOME,
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND
PERCENT OF HOUSEHOLDS WITH INCOMES OVER $50,000

	Total Effective Buying Income[1]	Median Household Effective Buying Income	Percent of Households with Income over $50,000
2000			
San Joaquin County	$7,767,125	$34,431	31.2%
California	590,376,683	39,492	38.3
United States	4,877,786,658	37,233	35.4
2001			
San Joaquin County	8,486,929	37,496	36.0
California	652,190,282	44,464	44.3
United States	5,230,824,904	39,129	38.2
2002[2]			
San Joaquin County	8,194,681	37,158	32.0
California	650,521,407	43,532	41.9
Unites States	5,303,481,498	38,365	35.3
2003			
San Joaquin County	8,665,983	37,577	33.4
California	647,879,427	42,484	40.5
United States	5,340,682,818	38,035	39.7
2004			
San Joaquin County	9,269,688	37,988	34.3
California	674,721,020	42,924	41.2
United States	5,466,880,008	38,201	35.4
2005			
San Joaquin County	9,752,778	39,040	35.4
California	705,108,410	43,915	42.5
United States	5,692,909,567	39,324	36.7

(1) Dollars in thousands.
(2) As of 2002, Survey of Buying Power changed its reporting methods to be based on projected estimates.

Source: "Survey of Buying Power," Sales and Marketing Management Magazine, Dated 2000, 2001, 2002, 2003, 2004 and 2005.

The 2005 Survey of Buying Power (Sales and Marketing Management) estimated the County's total effective buying income for 2005 (disposable personal income) to be approximately $9,752,778,000 (2004 income $9,269,688,000). Median Household EBI for the County is $39,040 as compared to $43,915 for the State of California. The following tabulation shows the distribution of effective buying income by income classes.

SAN JOAQUIN COUNTY
HOUSEHOLD EFFECTIVE BUYING INCOME

Income Class		Percent of Households
Under $19,999		22.3%
20,000- 34,999		22.2
35,000- 49,999		20.1
50,000 and over		35.4
Total Number of Households		209,000
Total Effective Buying Income	$	9,752,778,000
Median Household Effective Buying Income	$	39,040

Source: Sales and Marketing Management "2005 Survey of Buying Power."

Transportation

Excellent surface, sea, and air transportation facilities serve County residents and businesses. Three interstate and eight State highways provide excellent trucking access to major markets of the West. Additional ground transportation is provided by three long-haul and four short-haul railroads.

The County's Road Fund and five property taxing Road Districts fund the 1,750-mile road system in the unincorporated area maintained by the County. In addition to existing revenue sources including the State gasoline tax, property tax, local transportation fund (sales tax), Federal aid for specific projects, fines, and forfeitures, among others, the County Road program receives a portion of the sales tax from a ½ cent sales tax increase approved by County voters in November 1990. The sales tax implemented in April 1991 will provide $257 million over the next 20 years for local street repair, plus $478 million for other transportation related projects and uses. The unincorporated area of the County receives half of the local street repair funds. In November 2006, County voters approved renewal of the ½ cent transportation sales tax for an additional 30 years.

The County has enjoyed commuter rail service since mid-1998. The Altamont Commuter Express ("ACE") currently operates with four trains and provides commuter rail service between Stockton and San Jose. The average daily ridership exceeds 2,900.

Stockton's Metropolitan Airport is located approximately four miles south of the downtown area and provides passenger and freight jet service to the County. The facilities are owned and maintained by the County that leases them to commercial airlines and other tenants. In addition, the County is in close proximity to the Oakland, San Francisco, and Sacramento airports.

The Port of Stockton is a deepwater port that provides inland access to shipping lines serving West Coast and world markets. The approximate 2,000 acres of the Port of Stockton includes over 7.7 million square feet of warehouse space and serves as a port of entry for steel and ammonia fertilizer shipments.

Visitor and Convention Activity

The County includes within its boundaries nearly 1,000 miles of recreational waterways that are part of the California Delta region. The Sierra Nevada foothills are to the east with recreational opportunities available year round. The City of Stockton's hotels have accommodations for over 2,000 visitors.

The climate of the region ranges from warm and dry in the spring and summer to chilly and wet weather from the months of November to April. The area's year round temperature averages about 75 degrees.

Education

Fifteen independent school districts provide the educational program for the more than 135,000 elementary and secondary public schoolchildren in the County. Each school system is governed by a locally elected board of trustees and administered by a superintendent or other chief administrative officer appointed by the board. In the County, there are two types of school districts – elementary and unified. Elementary districts educate elementary students and unified districts contain both elementary and secondary grades. There are currently seven elementary and eight unified districts with over 200 school sites in the County. The average amount of revenue per student to the public schools is $7,310.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associate in Arts and Associate in Science degrees and have extensive vocational curricula. There is one community college district in the County, San Joaquin Delta Community College, with an enrollment of more than 19,000 students. In addition to the main Campus in Stockton, the District offers courses offsite in the cities of Lodi, Manteca, and Tracy. In March 2004, voters passed Measure L, a $250 million bond measure, to provide the necessary funds for the expansion and improvement of the existing facilities. The District plans to establish new educational centers in the Mountain House Community in south County and the City of Lodi serving north County residents.

The primary institution of higher education offering bachelors and graduate programs in the County is the University of the Pacific, a private four-year institution. Approximately 4,500 students are enrolled at the university's Stockton campus. Part-time students have options of attending California State University, Stanislaus, which has an enrollment of approximately 1,200 students at its center in Stockton, as well as programs offered locally by Chapman University, Humphrey's College and School of Law, National University and the University of San Francisco.

APPENDIX B

AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR 2005/06

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COUNTY OF SAN JOAQUIN

AUDIT REPORT

JUNE 30, 2006

COUNTY OF SAN JOAQUIN
AUDIT REPORT
JUNE 30, 2006

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COUNTY OF SAN JOAQUIN
AUDIT REPORT
JUNE 30, 2006

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BARTIG, BASLER & RAY, LLP
A GALLINA LLP COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Grand Jury and
Board of Supervisors
County of San Joaquin, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of San Joaquin, California (the County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County management. Our responsibility is to express an opinion on these statements based on our audit. We did not audit the financial statements of San Joaquin County Employees Retirement System. Those financial statements were audited by the office of the Auditor-Controller of the County of San Joaquin, California as permitted by law. We also did not audit the financial statements of Head Start Child Development Council, Inc., San Joaquin County Economic Development Association, Local Agency Formation Commission or Health Plan of San Joaquin, which collectively represent 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us. In addition, we did not audit the San Joaquin General Hospital Enterprise Fund, a component unit of the County of San Joaquin, which represents 38 percent and 87 percent, respectively, of the assets and revenues of the business-type funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us. Our opinion, insofar as it relates to the amounts included for San Joaquin County Employees Retirement System, is based on the report of the Auditor-Controller of the County of San Joaquin, California and as it relates to the component units on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Governmental 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of San Joaquin, California, as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated November 9, 2006 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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

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Honorable Grand Jury and Board of Supervisors
County of San Joaquin, California

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the budgetary comparison schedules and the schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information consisting of combining and individual 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 of the County of San Joaquin, California. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, based on our audit and the reports of other auditors are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

Bartig, Basler & Ray, LLP

November 9, 2006
Roseville, California

MANAGEMENT'S DISCUSSION & ANALYSIS

COUNTY OF SAN JOAQUIN
Management's Discussion and Analysis
June 30, 2006

This section of the County of San Joaquin's (County) annual financial report represents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the 2005-2006 fiscal year by $904.8 million, which is referred to as net assets. Of this amount, $175.1 million is considered unrestricted net assets, which may be used to meet ongoing obligations to citizens and creditors. $264.8 million is reserved or restricted net assets and limited to specific purposes, and $464.9 million, is invested in capital assets, net of related debt.

- The County's total net assets increased by $141.4 million during the year. Governmental activities increased the County's net assets by $79.2 million and business-type activities increased the County's net assets by $62.2 million.

- As of June 30, 2006, the County governmental funds reported combined fund balances of $300.4 million, which is an increase of $70.0 million from last year's fund balance. Of the combined fund balances, $203.0 million or 68% is available to meet the County's current and future needs (*unreserved fund balances*).

- As of June 30, 2006, the unreserved fund balance for the general fund was $102.8 million, or approximately 19.1% of the total general fund operating expenditures. This entire amount is budgeted to be spent in the next fiscal year.

- The County's total long-term debt that is due beyond one year at June 30, 2006 was $435.3 million, $234.6 million higher than the prior year's, primarily due to the increase in Teeter Note borrowing, "IBNR" (incurred but not reported) liability claims, liabilities for unpaid compensated absences, and new loans in exchange for the infrastructure facilities from the developers within the service areas of the Mountain House Community Service District.

- The Mountain House Community Service District, a blended component unit of the County, has created enterprise funds to account for the water, sewer, and storm services. During the 2005-06 fiscal year, it accepted $57.2 million of the donated infrastructure facilities from the district's developers. In addition, it has pledged certain facility receipts and future debt proceeds for the $236.2 million of the infrastructure facilities received from the developers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements 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 County 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 (e) 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 may 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 in part a 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 and public assistance; education and culture and recreation. The business-type activities of the County are the San Joaquin County General Hospital (Hospital), the San Joaquin County Airport (Airport), the San Joaquin County Solid Waste Enterprise (Landfill), and the Mountain House Community Service District's Utility Enterprise (Utility).

Component units that are discretely presented in the County's basic financial statements consist of legally separate entities for which the County is financially accountable or whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Examples are the Head Start Child Development Council, Health Plan of San Joaquin, Local Agency Formation Commission, and San Joaquin County Economic Development Association.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund Financial Statements are groupings of related accounts that are 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. 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 a 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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County reports three major individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance. Data from the nonmajor governmental funds, including the debt service funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopted an annual appropriated budget for all of its major governmental funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with this budget and are included in the required supplemental section of this report.

The governmental funds financial statements can be found on pages 15-18 of this report.

Proprietary funds are reported in two ways: 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 Hospital, the Airport, the Landfill, and the Mountain House Community Service District's Utility operations whose revenues are from external user fees. *Internal services funds* are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its insurance programs, fleet maintenance, telephone and radio communication programs, office automation equipment replacement program, and general office supply and services programs. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail with the inclusion of cash flow statements. The County considers all its three enterprise funds as major funds to the County. The internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal services is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 19-23 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 those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds except for agency funds. Agency funds are accounted for on the modified accounting basis.

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. The notes can be found on pages 26-76 of this report.

Required Supplementary Information provides the comparison of the budgetary information with the actual budget results for the major funds, the General Fund, the Mental Health and Substance Abuse Fund, and the First 5 Program Fund. As mentioned earlier, the Board of Supervisors revises the budget throughout the year as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was actually adopted at year-end, which is not prohibited by state law.

Other Supplementary Information provides the combining and individual fund statements and schedules referred to earlier for nonmajor governmental funds, internal service and fiduciary funds immediately following the required supplementary information. It also contains certain financial statistics for the past five years and the combined financial statements for the Mountain House Community Service District.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 $904.8 million at the close of the fiscal year 2005-06.

Condensed Statement of Net Assets (000's)

	Governmental Activities		Business-Type Activities		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Assets:						
Current and other assets	$ 557,518	$ 435,668	$ 87,432	$ 95,635	$ 644,950	$ 531,303
Capital assets	541,900	424,574	305,821	125,955	847,721	550,529
Total assets	1,099,418	860,242	393,253	221,590	1,492,671	1,081,832
Liabilities:						
Current and other liabilities	126,482	89,965	26,048	27,756	152,530	117,721
Long-term liabilities	204,805	81,360	230,544	119,365	435,349	200,725
Total liabilities	331,287	171,325	256,592	147,121	587,879	318,446
Net Assets:						
Invested in capital assets, net of related debt	377,863	374,392	87,038	26,284	464,901	400,676
Restricted	250,392	213,626	17,325	6,131	267,717	219,757
Unrestricted	139,876	100,899	32,298	42,054	172,174	142,953
Total net assets	768,131	688,917	136,661	74,469	904,792	763,386
Total Liabilities and Net Assets	$ 1,099,418	$ 860,242	$ 393,253	$ 221,590	$ 1,492,671	$ 1,081,832

The largest portion of the County's net assets in the amount of $464.9 million, approximately 51% of the total, represents its investment in capital assets (e.g. land, land improvements, buildings, equipment, infrastructure and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens and to internal county departments. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A significant portion of the County's net assets of $264.8 million represents resources that are subject to external restrictions on how they may be used.

The remaining balance of the County's net assets is unrestricted net assets in the amount of $175.1 million, which may be used to meet the County's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the County reported positive balances in all three categories of net assets for the County as a whole, as well as for its separate governmental and business-type activities.

As shown below, the County's net assets were increased by $141.4 million during the current fiscal year.

The following table indicates the changes in net assets for governmental and business-like activities.

Changes in Net Assets (000's)

	Governmental Activities		Business-Type Activities		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Revenues						
Program Revenues:						
Charges for services	$ 122,689	$ 113,248	$ 182,419	$ 170,653	$ 305,108	$ 283,901
Operating grants and contr.	476,396	445,160	220	443	476,416	445,603
Capital grants and contr.	14,389	6,524	57,373	--	71,762	6,524
General revenues:						
Property taxes	185,372	151,883	447	--	185,819	151,883
Property transfer taxes	6,183	6,406	--	--	6,183	6,406
Sales taxes	32,125	28,403	--	--	32,125	28,403
Motor vehicle and other in lieu taxes	5,159	17,446	--	--	5,159	17,446
Transient occupancy tax	384	406	--	--	384	406
Tobacco settlement proceeds	5,591	6,025	--	--	5,591	6,025
Investment earnings	19,874	10,246	1,474	2,097	21,348	12,343
Total revenues	867,962	785,747	241,933	173,193	1,109,895	958,940
Expenses:						
General government	25,733	27,912	--		25,733	27,912
Public protection	230,090	209,656	--	--	230,090	209,656
Public ways and facilities	50,441	41,947	--	--	50,441	41,947
Health and sanitation	119,567	113,806	--	--	119,567	113,806
Public assistance	307,460	286,345	--	--	307,460	286,345
Education	5,865	5,671	--	--	5,865	5,671
Culture and recreation	5,581	5,151	--	--	5,581	5,151
Interest on long-term debt	4,040	3,301	--	--	4,040	3,301
Solid waste	--	--	17,686	19,129	17,686	19,129
Hospital	--	--	189,776	171,184	189,776	171,184
Mountain House Utilities	--	--	8,587	--	8,587	--
Airport	--	--	3,664	3,493	3,664	3,493
Total expenses	748,777	693,789	219,713	193,806	968,490	887,595
Excess (deficiency) before transfers	119,185	91,958	22,220	(20,613)	141,405	71,345
Transfers	(39,971)	(24,125)	39,971	24,125	--	--
Change in net assets	79,214	67,833	62,191	3,512	141,405	71,345
Net assets, beginning of year	688,917	611,992	74,470	70,957	763,387	682,949
Adjustment to beginning net assets	--	9,091	--	--	--	9,091
Net assets, end of year	$ 768,131	$ 688,916	$ 136,661	$ 74,469	$ 904,792	$ 763,385

Governmental activities. Governmental activities increased the County's net assets by $79.2 million, accounting for 56.0% of the total growth in net assets of the County.

<u>Net Assets</u>

A key element in analyzing the increase above is the application of the accrual basis of accounting for the County's governmental activities. Governmental activities' budget and fund based financial statements reflect the budgeting practices under the modified accrual approach. Under this approach, capital assets 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. Conversely, the statement of changes in net assets is reported under the accrual basis of accounting, which capitalizes fixed asset purchases, reduces liabilities by principal payments and recognizes revenues when earned. The effect of capitalizing capital asset purchases less overall depreciation increased net assets by $4.9 million; the effect of decreasing long-term debt principal expenditures and recognizing revenues that were not available to meet current budgetary needs increased net assets by $4.8 million. 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 the changes in net assets under the accrual basis of accounting.

The operating grants, the statutory-required contribution transfers, and capital asset transfers to the Hospital, Airport, and the Mountain House Community Services District-Utility Enterprise, the business-type funds, reduced the net assets of the governmental activities by $40.0 million.

Revenues
Total revenue for the County's governmental activities increased by $82.2 million, or 10%, over the previous year.

- Revenues from the general revenues, such as property taxes, sales taxes and investment earnings increased by $34.5 million from the prior year's. This increase reflects the booming real estate market in the county, the consumers' purchase activities, and the improving investment environment.
- Revenues from service fees and court fees and fines increased by $9.4 million and the operating and capital grants and contributions increased by $38.9 million. As an arm of the state government, operating grants and contributions serve multiple programs and are tied to mandated services such as public assistance, public health, mental health, public safety, and etc. The capital grants were tied to specific capital projects within a specific time frame. These revenue sources increased 9% over the prior year primarily due to increased funding from various Federal and State sources.

Expenses
Expenses for most function categories funded by the County's general revenue reflected increases paralleling inflation and growth in the demand for services from the prior year's. Overall, expenditures for governmental activities increased by $55.0 million, or 8%, over the previous year. Of the total increase, $21.1 million comes from the public assistance functional category and $20.4 million from the public protection functional category. The County's major cost component is salaries and benefits.

Business-type activities. Business-type activities increased the County's net assets by $62.2 million, or 44% of the total growth in net assets. By excluding the operating grants and the statutory-required contribution transfers of $40.0 million from the governmental-activities funds, the Business-type activities would have increased the County net assets by $22.2 million.

Key factors that contributed to this increase from the operating activities were the capital grants of $57.2 million received from the developers in the Mountain House Community Development District-Utility Enterprise funds. This increase was offset by the increase in the Hospital operation, reflecting the continuing rise in the costs of pharmaceuticals, medical supplies and equipment.

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 fund. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial 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, 2006, the County's governmental funds reported total fund balances of $300.4 million, an increase of $70.0 million in comparison with the prior year. Approximately 67.6%, or $203.0 million, of the total fund balance constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been committed: 1) to pay debt service, $5.9 million; 2) to reflect inventories and interfund advances that are long-term in nature and thus do not represent available spendable resources, $1.1 million and 3) to liquidate contractual commitments of the period – $90.2 million. The County's management may also designate unreserved fund balance to a particular function or activity; however, designated fund balance is available for appropriations at any time.

The general fund is the main operational fund of the County. At June 30, 2006, it had an unreserved fund balance of $102.8 million while its total fund balance increased to $48.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures less transfers. Unreserved fund balance represents 19.1% of total fund expenditures, while total fund balance represents 22.0% of the same amount.

Revenues for governmental functions totaled $865.3 million in fiscal year 2005-06, which represents a 11.9% or $92.0 million increase from fiscal year 2004-05. The largest increases in revenues were tax revenues ($47.1 million), aid from other governmental agencies ($22.9 million), investment earnings ($7.7 million), charges for services ($6.3 million), and court fines ($4.0 million).

Expenditures for government functions totaled $760.1 million in fiscal year 2005-06, which represents an increase of 8.1% ($57.1 million) from the prior year. The largest increase occurred in the public assistance and the public protection functional categories ($34.5 million).

Proprietary funds. The County's proprietary funds provide similar information found in the governmental-wide financial statements, but in more detail.

The Solid Waste Enterprise had $7.7 million in net assets at June 30, 2006, the Airport Enterprise had $14.0 million, the Hospital Enterprise had $58.8 million, and the Mountain House Enterprise had $56.2 million. The unrestricted net assets amounted to -$3.3 million, $1.1 million, $33.9 million, and $0.6 million, respectively, of the total proprietary funds' net assets.

The internal service funds had $44.7 million in net assets at June 30 2006 with $36.7 million as unrestricted.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the 2005-06 fiscal year's original budget and the final amended budget resulted in $16.4 million increase in charges to appropriations. The increases in the final amended budget can be briefly summarized as follows:

- The general government budget increased by $1.0 million to reflect the increase of supervisorial district-specific projects.
- The reserve for contingency budget increased by $11.3 million to reflect the re-appropriation of the excess property tax revenues received in prior years.
- The public safety function budget increased by $1.7 million to reflect the overruns of the overtime and holiday pay at the Sheriff's Department and the additional funding provided by the Federal and the State governments for public safety programs.
- The public assistance function budget increased by $0.4 million to reflect the additional funding provided by the Federal and the State governments for public assistance programs.
- The transfers-out budget increased by $2.0 million to reflect the additional funding provided to various programs managed by other funds.

During the year, actual revenues were more than budgetary estimates by $1.9 million. The increase reflects the combination of increases and decreases of various revenue sources. The major decrease ($14.9 million) in Aid from Other Governmental Agencies is in the public assistance area. These decreases were offset by the increase in both the property and sales tax revenues ($5.2 million), the interest earnings from the investment pool ($4.1 million), donation from developers ($5.9 million), and the licenses and permits ($1.9 million).

Actual expenditures were less than budgetary estimates by $83.6 million. A majority of the differenee is attributable to below budget expenditures in publie protection, health and human services, publie assistance ($52.9 million). The County also appropriated $30.7 million for contingencies and departmental reserves as part of the County reserve policy. The net effect of over-realization of revenues and under-utilization of appropriations resulted in a favorable varianee of $85.6 million, thus eliminating the need to draw upon existing fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The County's investment in capital assets, net of related debt, for its governmental and business-type aetivities as of June 30, 2006, amounted to $464.9 million. This investment in capital assets includes infrastructure, infrastructure in progress, land, buildings and improvements, equipment and construction in progress. The total inerease in the County's investment in capital assets for the current period was 16.0 percent.

Major eapital asset events during the current fiscal year ineluded the following:

- Construction in progress inereased by $7.0 million due mainly to the continuing expansion of various County community service centers, the new Agriculture building, and new clinic projects at the Hospital.
- Infrastrueture assets of $292.1 million were added during the year for various road networks and the Mountain House Community Serviees Distriet.
- Structure and improvements of $4.1 million were added during the year for the community eenters expansion projects, and the Hospital expansion project
- All depreciable assets, except infrastructure, were depreeiated from the mid-month of the acquisition month to the end of the eurrent fiscal year. Infrastructures acquired sinee 1985 were depreciated, using the composite method, over the life of 25 years.

Capital assets, net of accumulated depreeiation, for the governmental and business-type activities are presented below to illustrate ehanges from the prior year:

	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Infrastructure	$ 325,786	$ 207,421	$ 173,692	$ --	$ 499,478	$ 207,421
Land and easements	15,788	11,612	4,663	4,663	20,451	16,275
Structure and improvements	170,865	177,281	103,550	93,054	274,415	270,335
Equipment	22,099	21,041	8,490	18,651	30,589	39,692
Construction in progress	1,162	11	15,426	9,586	16,588	9,597
Other capitalized assets	6,200	7,210	--	--	6,200	7,210
Total	$ 541,900	$ 424,576	$ 305,821	$ 125,954	$ 847,721	$ 550,530

For additional information related to capital assets, see note 6 on pages 53-55.

Long-term debt

At June 30, 2006, the County had total long-term outstanding debt of $435.3 million excluding the amount due within one year. This amount was comprised of $140.8 million of certificates of participation, $8.7 million in landfill closure/postclosure, $1.3 million in capital lease obligations, $239.8 million in notes payable, $5.6 million in earned compensated absences and $39.1 million for estimated self-insurance claims liability. For additional information related to long-term debt, see note 11, 12, and 13 on pages 58-65.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The County's 2006-07 budget reflects a sizable increase in many programs as a result of an improving economic environment from the real estate market and the investment sector.
- The County's general revenues, sometimes referred to as discretionary revenues, are expected to experience a continuing growth as a result of the booming real estate market. At the same time, the portion of the County's budget that relies on these revenues will also continue to experience increased costs of living and medical insurance increases.
- The State's economic condition continues to have a significant impact on the County's budget, even though the constitutional amendment (Proposition 1A) approved in November 2004 will protect the local government revenues from future reductions by the State. Included in the Proposition 1A was the property taxes shift of $6.1 million each for FY 2004-05 and 2005-06 to the Education Revenue Augmentation Funds (ERAF III).
- In May 2006, the State's budget revision (1) provided $170 million to pay two years of the 15-year deferred reimbursements to local governments for State-mandated services. The County projected to receive $2.3 million from this reimbursement; (2) restores the funding for the Juvenile Justice Crime Prevention Act (JJCPA) programs. The County budgeted $2.3 million from these restorations; (3) proposes partial repayment of the Proposition 42 Transportation Fund and the County estimated to receive $2.5 million for road and streets maintenanee.

All of these factors were considered in preparing the County's budget for fiscal 2006, approximately $1.36 billion (including the business-like activities).

During the current fiscal year, unreserved fund balance in the general fund inereased to $117.9 million. The County has appropriated the full amount for spending in the 2006 fiscal year budget.

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 eoneerning any of the information provided in this report or request additional finaneial information should be addressed to the Auditor-Controller's Office, 24 S. Hunter Street, Room 103, Stockton, CA 95202.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

COUNTY OF SAN JOAQUIN

Statement of Net Assets
June 30, 2006

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and investments:				
Pooled	$ 393,699,528	$ 23,846,035	$ 417,545,563	$ 47,162,730
Other banks	--	705,675	705,675	940,953
Imprest cash	311,540	4,730	316,270	--
Accounts receivable	13,078,937	28,985,646	42,064,583	41,132
Taxes receivable	45,714,799	--	45,714,799	--
Interest receivable	5,310,331	323,890	5,634,221	527,551
Internal balances	(2,012,394)	2,012,394	--	--
Due from other agencies	93,187,894	31,937	93,219,831	1,590,481
Loans receivable	105,826	--	105,826	--
Prepaid expenses	935,547	235,961	1,171,508	--
Inventory	1,068,850	1,829,887	2,898,737	--
Other assets	25,500	8,332,419	8,357,919	1,060,751
Unamortized debt issuance cost	213,002	1,541,920	1,754,922	--
Restricted assets:				
Cash and investments	5,858,221	19,393,576	25,251,797	--
Interest receivable	20,635	188,191	208,826	--
Capital assets:				
Nondepreciable	16,950,088	20,089,690	37,039,778	--
Depreciable	752,814,998	408,470,511	1,161,285,509	16,526,637
Accumulated depreciation	(227,865,295)	(122,739,019)	(350,604,314)	(5,594,568)
Total Assets	$ 1,099,418,007	$ 393,253,443	$ 1,492,671,450	$ 62,255,667
LIABILITIES				
Accounts payable	$ 29,599,732	$ 7,470,339	$ 37,070,071	$ 3,910,433
Accrued expenses	5,057,558	1,613,538	6,671,096	--
Compensated absences:				
Due within one year	23,590,623	4,756,279	28,346,902	20,553
Due beyond one year	5,168,833	501,042	5,669,875	3,013
Unearned revenue	23,293,037	3,598,043	26,891,080	530,256
Long-term liabilities:				
Due within one year	39,093,454	6,168,615	45,262,069	--
Due beyond one year	199,635,953	230,043,193	429,679,146	11,803,492
Other liabilities	5,236,196	706,964	5,943,160	1,433,932
Payable from restricted assets:				
Accrued interest	611,850	1,733,939	2,345,789	--
Total Liabilities	331,287,236	256,591,952	587,879,188	17,701,679
NET ASSETS				
Invested in capital assets, net of related debt	377,862,650	87,037,932	464,900,582	10,932,069
Restricted for:				
Capital projects	51,962,125	7,749,180	59,711,305	--
Debt service	5,920,341	9,537,572	15,457,913	--
Children and Families Act Program	27,756,823	--	27,756,823	--
Substance Abuse and Crime Prevention	616,259	--	616,259	--
Public works and community infrastructure	62,225,812	--	62,225,812	--
Local law enforcement programs	916,171	--	916,171	--
Other programs	100,994,631	38,411	101,033,042	--
Unrestricted	139,875,959	32,298,396	172,174,355	33,621,919
Total Net Assets	768,130,771	136,661,491	904,792,262	44,553,988
Total Liabilities and Net Assets	$ 1,099,418,007	$ 393,253,443	$ 1,492,671,450	$ 62,255,667

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

COUNTY OF SAN JOAQUIN

Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General government	$ 37,086,777	$ (11,353,918)	$ 20,161,576	$ 2,365,280	$ 2,626,239
Public protection	223,229,711	6,860,629	50,135,663	77,844,695	--
Public ways and facilities	36,192,654	545,434	9,713,552	12,395,086	10,194,501
Community infrastructure program	867,626	--	3,922,438	--	--
Mountain House Service District	12,835,337	--	6,816,337	3,622,183	1,568,615
Health and sanitation	101,115,486	1,684,537	29,049,369	72,325,823	--
Children and families act program	16,685,045	81,438	--	9,926,026	--
Public assistance	305,886,200	1,573,622	1,162,124	297,593,322	--
Education	5,858,089	7,133	146,925	122,514	--
Recreation and cultural services	4,979,734	601,125	1,580,398	497	--
Interest on long-term debt	4,040,221	--	--	--	--
Total Governmental Activities	748,776,880	--	122,688,382	476,195,426	14,389,355
Business-Type Activities:					
Hospital	189,776,046	--	158,935,264	--	--
Airport	3,663,416	--	1,456,000	184	211,745
Solid Waste	17,685,787	--	19,699,066	219,566	--
Mountain House Services District - Utility Services	8,586,976	--	2,328,333	--	57,160,989
Total Business-Type Activities:	219,712,225	--	182,418,663	219,750	57,372,734
Total Primary Government	$ 968,489,105	$ --	$ 305,107,045	$ 476,415,176	$ 71,762,089
Component Units					
Headstart	$ 31,077,403	$ --	$ 2,168,145	$ 28,638,778	$ --
Health Plan of San Joaquin	85,888,522	--	1,302,141	84,202,718	--
San Joaquin Economic Development	181,483	--	103,520	165,557	--
Local Agency Formation Commission	336,120	--	214	260,968	--
Total Component Units	$ 117,483,528	$ --	$ 3,574,020	$ 113,268,021	$ --

General Revenues:
Taxes:
Property taxes
Property transfer taxes
Sales and use taxes
Transient occupancy taxes
Franchise and other
Motor vehicle in-lieu taxes
Unrestricted interest and investment earnings
Tobacco settlement proceeds
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net assets - beginning

Net assets - ending

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (579,764)	$ --	$ (579,764)	$ --
(102,109,982)	--	(102,109,982)	--
(4,434,949)	--	(4,434,949)	--
3,054,812	--	3,054,812	--
(828,202)	--	(828,202)	--
(1,424,831)	--	(1,424,831)	--
(6,840,457)	--	(6,840,457)	--
(8,704,376)	--	(8,704,376)	--
(5,595,783)	--	(5,595,783)	--
(3,999,964)	--	(3,999,964)	--
(4,040,221)	--	(4,040,221)	--
(135,503,717)	--	(135,503,717)	--
--	(30,840,782)	(30,840,782)	--
--	(1,995,487)	(1,995,487)	--
--	2,232,845	2,232,845	--
--	50,902,346	50,902,346	--
--	20,298,922	20,298,922	--
$ (135,503,717)	$ 20,298,922	$ (115,204,795)	$ --
$ --	$ --	$ --	$ (270,480)
--	--	--	(383,663)
--	--	--	87,594
--	--	--	(74,938)
$ --	$ --	$ --	$ (641,487)
185,372,303	447,221	185,819,524	--
6,182,784	--	6,182,784	--
32,125,346	--	32,125,346	--
384,368	--	384,368	--
2,371,806	--	2,371,806	--
5,159,327	--	5,159,327	--
17,501,863	1,474,136	18,975,999	1,942,258
5,591,287	--	5,591,287	--
(39,971,492)	39,971,492	--	--
214,717,592	41,892,849	256,610,441	1,942,258
79,213,875	62,191,771	141,405,646	1,300,771
688,916,896	74,469,720	763,386,616	43,253,217
$ 768,130,771	$ 136,661,491	$ 904,792,262	$ 44,553,988

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

COUNTY OF SAN JOAQUIN

Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Mental Health Substance Abuse	First Five Program	Other Governmental Funds	Total
ASSETS					
Cash and Investments:					
Pooled	$ 141,148,591	$ 24	$ 30,606,437	$ 143,789,965	$ 315,545,017
Imprest cash	238,775	39,450	--	33,275	311,500
Accounts receivable	5,826,647	1,771,717	2,975	4,353,797	11,955,136
Taxes receivable	45,351,246	--	--	363,552	45,714,798
Interest receivable	2,089,027	18,608	379,402	1,852,962	4,339,999
Advances to other funds	66,000	--	--	426,425	492,425
Due from other funds	1,569,513	50,011	--	822,054	2,441,578
Due from other agencies	77,330,229	4,991,957	1,619,734	9,245,973	93,187,893
Loans and advances receivable	105,826	--	--	--	105,826
Inventory	48,838	290,064	--	280,634	619,536
Other assets	25,500	--	--	--	25,500
Restricted cash and investments	--	--	--	5,878,856	5,878,856
Total Assets	$ 273,800,192	$ 7,161,831	$ 32,608,548	$ 167,047,493	$ 480,618,064
LIABILITIES					
Accounts payable	$ 11,965,415	$ 2,367,038	$ 4,562,937	$ 5,236,048	$ 24,131,438
Accrued expenses	119,953	--	--	--	119,953
Due to other funds	1,526,694	633,139	227,559	763,985	3,151,377
Due to other agencies	135	--	--	1,266,622	1,266,757
Accrued salaries	3,872,928	553,335	12,011	574,556	5,012,830
Accrued compensated absences	19,802,260	1,511,949	49,218	2,014,428	23,377,855
Unearned revenue	78,007,054	3,306,613	--	1,105,918	82,419,585
Advances from other funds	2,391,410	--	--	66,000	2,457,410
Teeter note	33,000,000	--	--	--	33,000,000
Other liabilities	5,236,196	--	--	--	5,236,196
Total Liabilities	155,922,045	8,372,074	4,851,725	11,027,557	180,173,401
FUND BALANCES					
Reserved for:					
Encumbrances	14,785,911	539,988	9,809,993	65,092,090	90,227,982
Inventory	48,838	290,064	--	280,634	619,536
Debt service	--	--	--	5,920,343	5,920,343
Advances	66,000	--	--	426,426	492,426
Other assets	105,826	--	--	--	105,826
Unreserved, reported in					
General fund:					
Designated	36,205,340	--	--	--	36,205,340
Undesignated	66,666,232	--	--	--	66,666,232
Special revenue funds:					
Designated	--	39,474	--	31,932	71,406
Undesignated	--	(2,079,769)	17,946,830	68,949,338	84,816,399
Capital projects funds:					
Undesignated	--	--	--	15,319,173	15,319,173
	117,878,147	(1,210,243)	27,756,823	156,019,936	300,444,663
Total Liabilities and Fund Balances	$ 273,800,192	$ 7,161,831	$ 32,608,548	$ 167,047,493	$ 480,618,064

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

COUNTY OF SAN JOAQUIN

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2006

Fund Balance - total governmental funds (page 15)		$ 300,444,663
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		532,445,470
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the governmental funds.		59,126,549
Internal service funds are used by the County to charge the cost of unemployment insurance, dental insurance, fleet services and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:		44,710,553
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Certificates of participation	$ 42,816,169	
Capital leases	146,373	
Notes payable	120,051,117	
Compensated absences	5,141,368	
Accrued interest payable	441,437	
		(168,596,464)
Net assets of governmental activities (page 12)		$ 768,130,771

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

COUNTY OF SAN JOAQUIN

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Mental Health Substance Abuse	First Five Program	Other Governmental Funds	Total
Revenues:					
Taxes	$ 189,190,952	$ --	$ --	$ 27,078,486	$ 216,269,438
Licenses and permits	9,215,709	--	--	628,883	9,844,592
Fines, forfeitures and penalties	15,079,237	297,889	--	2,690,278	18,067,404
Use of money and property	6,820,979	74,567	1,345,989	6,067,632	14,309,167
Aid from other governmental agencies	374,629,930	32,572,173	9,926,026	80,886,428	498,014,557
Charges for services	39,976,984	22,316,686	--	29,609,340	91,903,010
Other revenues	10,282,454	152,020	--	6,491,991	16,926,465
Total Revenues	645,196,245	55,413,335	11,272,015	153,453,038	865,334,633
Expenditures:					
Current:					
General government	37,987,467	--	--	382,475	38,369,942
Public protection	191,399,335	--	--	24,121,015	215,520,350
Public ways and facilities	--	--	--	34,935,721	34,935,721
Health and sanitation	30,541,057	67,430,215	16,683,382	2,214,466	116,869,120
Public assistance	269,233,683	--	--	34,815,096	304,048,779
Education	313,560	--	--	5,490,035	5,803,595
Recreation and culture	3,833,107	--	--	298,064	4,131,171
Capital outlay	2,501,567	40,872	--	29,141,176	31,683,615
Debt Service:					
Principal retirement	377,755	--	--	5,109,200	5,486,955
Interest payments	740,069	--	--	2,468,706	3,208,775
Total Expenditures	536,927,600	67,471,087	16,683,382	138,975,954	760,058,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	108,268,645	(12,057,752)	(5,411,367)	14,477,084	105,276,610
Other Financing Sources (Uses):					
Issuance of long term debt	425,981	--	--	--	425,981
Transfers in	3,424,769	10,225,141	--	33,280,069	46,929,979
Transfers out	(63,603,235)	(1,483,776)	(82,929)	(17,429,089)	(82,599,029)
Total Other Financing Sources (Uses)	(59,752,485)	8,741,365	(82,929)	15,850,980	(35,243,069)
Net change in fund balances	48,516,160	(3,316,387)	(5,494,296)	30,328,064	70,033,541
Fund balance - beginning	69,361,987	2,106,144	33,251,119	125,691,872	230,411,122
Fund balance - ending	$ 117,878,147	$ (1,210,243)	$ 27,756,823	$ 156,019,936	$ 300,444,663

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

COUNTY OF SAN JOAQUIN

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2006

Net change to fund balance - total governmental funds (page 17)		$ 70,033,541
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	$ 31,560,851	
Less current year depreciation	(26,645,033)	
		4,915,818
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund		
Increase (decrease) in accrued property tax revenues	4,815,139	
Increase (decrease) in accrued grant revenues	(5,229,971)	
		(414,832)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal repayments:		
Certificate of participation	5,105,000	
Notes payable	273,543	
Capital leases	108,412	
Less amortization of discount on Certificate of participation	(698,032)	
		4,788,923
Loan proceeds is a financial resource in the governmental funds, but it has no impact on the statement of activities since it increases the long-term liabilities in the statement of net assets.		(425,981)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest payable	42,264	
Decrease in compensated absences	(2,839,592)	
		(2,797,328)
Capital assets transferred to external funda are recorded as reduction of net assets, but they do not provide any addition to current finacial resources and therefore are not reported as revenues in the governmental funds.		(4,874,641)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.		7,988,375
Change in net assets of governmental activities (page 13)		$ 79,213,875

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

COUNTY OF SAN JOAQUIN

Statement of Fund Net Assets
Proprietary Funds
As of June 30, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities
	General Hospital	Stockton Metropolitan Airport	Solid Waste Disposal	Mountain House Utility Services	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and investments	$ 7,087,989	$ 1,291,585	$ 14,537,961	$ 928,500	$ 23,846,035	$ 78,154,511
Imprest cash	2,580	250	1,900	--	4,730	40
Deposits with others	705,675	--	--	--	705,675	--
Accounts receivable	27,452,128	70,354	1,463,164	--	28,985,646	374,019
Interest receivable	42,549	15,575	257,091	8,675	323,890	970,333
Due from other funds	729,553	--	7,931	--	737,484	1,844,709
Due from external parties	--	--	--	--	--	749,779
Due from other agencies	--	6,520	25,417	--	31,937	--
Other assets	8,332,419	--	--	--	8,332,419	--
Prepaid expenses	235,961	--	--	--	235,961	935,547
Inventories	1,813,206	--	16,681	--	1,829,887	449,314
Total Current Assets	46,402,060	1,384,284	16,310,145	937,175	65,033,664	83,478,252
Noncurrent Assets:						
Advances to other funds	5,524,814	--	--	--	5,524,814	--
Unamortized debt issuance cost	1,049,041	--	492,879	--	1,541,920	--
Restricted Assets:						
Cash and investments	8,159,000	--	11,234,576	--	19,393,576	--
Interest receivable	164,918	--	23,273	--	188,191	--
Total Restricted Assets	8,323,918	--	11,257,849	--	19,581,767	--
Capital Assets:						
Non-depreciable	13,952,513	1,599,784	4,537,393	--	20,089,690	17,481
Depreciable	146,956,847	37,871,593	39,145,304	184,496,767	408,470,511	25,933,586
Allowance for depreciation	(70,135,373)	(22,117,589)	(19,679,176)	(10,806,881)	(122,739,019)	(16,496,746)
Total Capital Assets	90,773,987	17,353,788	24,003,521	173,689,886	305,821,182	9,454,321
Total Noncurrent Assets	104,622,719	17,353,788	35,261,370	173,689,886	330,927,763	9,454,321
Total Assets	$ 151,024,779	$ 18,738,072	$ 51,571,515	$ 174,627,061	$ 395,961,427	$ 92,932,573

continued

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

COUNTY OF SAN JOAQUIN

Statement of Fund Net Assets (continued)
Proprietary Funds
As of June 30, 2006

	General Hospital	Stockton Metropolitan Airport	Solid Waste Disposal	Mountain House Utility Services	Total	Internal Services Funds
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable	S 5,847,207	S 71,231	S 1,183,946	S 367,955	S 7,470,339	S 4,152,769
Accrued expenses	--	--	--	--	--	99,226
Accrued payroll	1,518,197	12,637	82,704	--	1,613,538	44,728
Compensated absences	4,306,890	74,877	374,512	--	4,756,279	212,768
Interest payable	1,362,865	--	371,074	--	1,733,939	--
Due to other funds	1,008,945	70,376	37,179	--	1,116,500	755,894
Current portion of capital lease obligations	--	--	85,274	--	85,274	322,188
Current portion of notes payable	--	3,341	--	--	3,341	48,098
Current portion of certificates of participation	4,025,000	--	2,055,000	--	6,080,000	--
Other liabilities	419,374	70,952	216,638	--	706,964	--
Total Current Liabilities	18,488,478	303,414	4,406,327	367,955	23,566,174	5,635,671
Long-Term Liabilities						
Unearned revenue	2,370,781	1,227,262	--	--	3,598,043	--
Compensated absences	461,438	5,896	33,708	--	501,042	27,465
Advances from other funds	--	3,133,404	--	--	3,133,404	426,425
Capital lease obligations	--	--	66,363	--	66,363	1,110,314
Notes payable	--	83,828	--	118,048,155	118,131,983	1,905,786
Certificates of participation	71,973,638	--	31,185,472	--	103,159,110	--
Claims liability	--	--	--	--	--	39,116,359
Liability for closure/postclosure costs	--	--	8,685,737	--	8,685,737	--
Total Liabilities	93,294,335	4,753,804	44,377,607	118,416,110	260,841,856	48,222,020
Net Assets:						
Invested in capital assets, net of related debt	16,643,058	12,905,953	1,845,988	55,642,933	87,037,932	8,021,819
Restricted for:						
Capital projects	--	--	7,749,180	--	7,749,180	--
Debt service	8,159,000	--	1,378,572	--	9,537,572	--
Other	38,411	--	--	--	38,411	--
Unrestricted	33,939,016	1,078,315	(3,286,953)	568,018	32,298,396	36,688,734
Total net asset	58,779,485	13,984,268	7,686,787	56,210,951	136,661,491	44,710,553
Total liabilities and net assets	S 152,073,820	S 18,738,072	S 52,064,394	S 174,627,061	S 397,503,347	S 92,932,573

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

COUNTY OF SAN JOAQUIN

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities
	General Hospital	Stockton Metropolitan Airport	Solid Waste Disposal	Mountain House Utility Services	Total	Internal Service Funds
Operating Revenues:						
Property taxes	$ --	$ 447,221	$ --	$ --	$ 447,221	$ --
Charges for services	138,452,724	184	8,927,891	2,277,011	149,657,810	76,033,833
Concessions and rentals	--	1,434,015	10,281,256	--	11,715,271	6,336,207
User fees	--	--	--	--	--	15,261,438
Interest charged to users	--	--	--	--	--	29,888
Other income	17,482,959	21,985	709,485	51,322	18,265,751	20,304
Total Operating Revenues	155,935,683	1,903,405	19,918,632	2,328,333	180,086,053	97,681,670
Operating Expenses:						
Salaries and benefits	97,887,166	861,601	5,440,506	--	104,189,273	3,057,228
Liability claims and loss adjustment	--	--	--	--	--	63,026,480
Professional services	25,847,828	183,430	3,456,815	25,791	29,513,864	1,867,713
Purchased services	31,251,138	217,618	105,304	1,045,932	32,619,992	16,910,796
Repairs and maintenance	--	124,032	1,211,380	68,197	1,403,609	--
Services from other governmental departments	--	99,004	390,608	429	490,041	--
Rents and leases	--	7,153	35,278	--	42,431	--
Insurance	--	210,659	561,746	19,507	791,912	5,153,969
Special departmental expenses	--	120,159	1,989,036	383,621	2,492,816	--
Landfill closure and postclosure expense	--	--	(1,196,065)	--	(1,196,065)	--
Transportation and fuel	--	33,237	68,019	--	101,256	--
Supplies	22,869,874	76,355	277,617	--	23,223,846	138,722
Depreciation	6,360,400	1,437,226	3,740,752	7,043,499	18,581,877	3,061,565
Miscellaneous	--	1,493	113,558	--	115,051	72
Total Operating Expenses	184,216,406	3,371,967	16,194,554	8,586,976	212,369,903	93,216,545
Operating Income (Loss)	(28,280,723)	(1,468,562)	3,724,078	(6,258,643)	(32,283,850)	4,465,125
Non-Operating Revenues (Expenses):						
Gain (loss) on sale of equipment	--	(3,592)	(33,527)	--	(37,119)	(212,226)
Interest income	497,245	58,572	935,087	20,351	1,511,255	3,227,596
Aid from other governmental agencies	--	--	--	--	--	151,793
Insurance recovery	--	--	--	--	--	65,859
Other revenue	2,999,581	--	--	--	2,999,581	--
Interest expense	(5,559,640)	(291,449)	(1,491,233)	--	(7,342,322)	(210,578)
Total Non-Operating Revenues (Expenses)	(2,062,814)	(236,469)	(589,673)	20,351	(2,868,605)	3,022,444
Net Income (Loss) Before Contributions and Transfers	(30,343,537)	(1,705,031)	3,134,405	(6,238,292)	(35,152,455)	7,487,569
Transfers and Contributions/Capital Grants						
Contributions/capital grants	--	211,745	--	61,956,196	62,167,941	8,041
Transfers in	34,037,708	671,494	--	493,047	35,202,249	495,734
Transfers out	(23,594)	(606)	(1,764)	--	(25,964)	(2,969)
Change in Net Assets	3,670,577	(822,398)	3,132,641	56,210,951	62,191,771	7,988,375
Net Assets - Beginning of Year	55,108,908	14,806,666	4,554,146	--	74,469,720	36,722,178
Net Assets - End of Year	$ 58,779,485	$13,984,268	$ 7,686,787	$ 56,210,951	$ 136,661,491	$ 44,710,553

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

COUNTY OF SAN JOAQUIN

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities
	General Hospital	Stockton Metropolitan Airport	Solid Waste Disposal	Mountain House Utility Services	Totals	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	$ 146,789,578	$ 1,926,412	$ 19,707,786	$ 2,328,330	$ 170,752,106	$ 99,270,933
Cash payments to suppliers for goods and services	(78,289,219)	(977,123)	(7,982,723)	(1,394,641)	(88,643,706)	(75,482,556)
Cash payments to other departments for goods and services	--	(42,204)	(13,187)	(429)	(55,820)	(4,444,271)
Cash payments to employees for services	(101,052,637)	(880,719)	(5,595,106)	--	(107,528,462)	(3,130,552)
Net Cash Provided (Used) by Operating Activities	(32,552,278)	26,366	6,116,770	933,260	(25,475,882)	16,213,554
Cash flows from noncapital financing activities:						
Transfers in (out)	34,014,114	670,888	(1,764)	493,047	35,176,285	492,765
Loan repayment or borrowing	226,757	(128,542)	--	--	98,215	--
State and federal grant receipts	--	--	--	--	--	151,792
Other non-operating receipts (payments)	3,082,949	--	--	--	3,082,949	--
Net Cash Provided (Used) by Noncapital Financing Activities	37,323,820	542,346	(1,764)	493,047	38,357,449	644,557
Cash flows from capital and related financing activities:						
Capital contribution received	--	--	--	500,389	500,389	--
Capital contribution grants	--	268,883	--	--	268,883	--
Acquisition and construction of capital assets	(15,824,931)	(164,381)	(1,285,063)	(501,458)	(17,775,833)	(1,773,095)
Insurance recovery	--	--	--	--	--	65,859
Proceeds from sale of property and equipment	--	--	--	--	--	72,761
Principal payment on debts	(3,875,000)	(2,965)	(1,741,744)	(509,483)	(6,129,192)	(495,499)
Interest payment on debts	(5,611,306)	(300,969)	(1,524,802)	--	(7,437,077)	(161,519)
Net Cash Provided (Used) by Capital Financing Activities	(25,311,237)	(199,432)	(4,551,609)	(510,552)	(30,572,830)	(2,291,493)
Cash flows from investing activities:						
Interest on investment	565,566	50,937	793,828	12,745	1,423,076	2,691,385
Net Cash Provided by Investing Activities	565,566	50,937	793,828	12,745	1,423,076	2,691,385
Increase (Decrease) in Cash and Cash Equivalents	(19,974,129)	420,217	2,357,225	928,500	(16,268,187)	17,258,003
Cash and Cash Equivalents, Beginning of Year	35,929,373	871,618	23,417,212	--	60,218,203	60,896,548
Cash and Cash Equivalents, End of Year	$ 15,955,244	$ 1,291,835	$ 25,774,437	$ 928,500	$ 43,950,016	$ 78,154,551

continued

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

COUNTY OF SAN JOAQUIN

Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities
	General Hospital	Stockton Metropolitan Airport	Solid Waste Disposal	Mountain House Utility Services	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (28,280,723)	$ (1,468,562)	$ 3,724,078	$ (6,258,643)	$ (32,283,850)	$ 4,465,125
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	6,360,400	1,437,226	3,740,752	7,043,499	18,581,877	3,061,565
(Increase) decrease in accounts receivable	(9,386,066)	24,210	14,464	--	(9,347,392)	1,849,407
(Increase) decrease in prepaid expenses	124,788	--	--	--	124,788	(253,670)
(Increase) decrease in inventories	152,309	--	(6,456)	--	145,853	(111,589)
Increase (decrease) in accounts payable	1,373,844	34,695	191,914	148,404	1,748,857	(157,329)
Increase (decrease) in closure/postclosure liability	(3,136,791)	--	(1,335,861)	--	(4,472,652)	--
Increase (decrease) in claim liabilities	--	--	--	--	--	7,360,045
Increase (decrease) in deferred revenues	239,961	(1,203)	(212,121)	--	26,637	--
Net Cash Provided (Used) by Operating Activities	$ (32,552,278)	$ 26,366	$ 6,116,770	$ 933,260	$ (25,475,882)	$ 16,213,554

Non-cash transactions:

The County entered various purchase-lease agreements during the year to purchase office automation equipment costing $441,196.

There was a transfer of capital assets in the amount of $61,956,196 from governmental funds to the Mountain House Utility District during the year which is reported as a capital contribution on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

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

COUNTY OF SAN JOAQUIN

Statement of Fiduciary Net Assets
Fiduciary Funds
For the Year Ended

	June 30, 2006				December 31, 2005
	Investment Trust Fund	Agency Funds	Private Purpose Trust Funds	Total	Pension Trust Fund
Assets					
Cash and investments - pooled	$ 723,127,608	$ 39,396,817	$ 9,270,108	$ 771,794,533	$ 384,435
Cash and investments held by others	8,500	5,268,718	4,324,484	9,601,702	--
Pension trust investments	--	--	--	--	2,111,097,617
Post-employment healthcare fund investments	--	--	--	--	19,198,479
Imprest cash	7,610	--	--	7,610	25
Investments sold, funds not received	--	--	--	--	873,911,501
Investment income receivables	9,934,676	--	67,606	10,002,282	8,789,663
Loans receivable	--	33,000,000	24,059,746	57,059,746	--
Other receivables	8,180,253	25,099,736	38,657	33,318,646	38,902
Pension fund contribution receivable	--	--	--	--	2,638,765
Other assets	--	529,965	--	529,965	76,701
Capital assets, net of depreciation	--	--	--	--	285,414
Total Assets	$ 741,258,647	$ 103,295,236	$ 37,760,601	$ 882,314,484	$ 3,016,421,502
Liabilities					
Accounts payable	$ 18,886,648	$ (756,168)	$ 212,682	$ 18,343,162	$ --
Accrued liabilities	--	--	--	--	3,287,257
Securities lending-cash collateral	--	--	--	--	294,802,817
Securities purchased but not paid	--	--	--	--	869,027,785
Due to other agencies	--	104,031,404	--	104,031,404	--
Deferred revenues	--	--	229,548	229,548	--
Loan payable	--	20,000	--	20,000	--
Total Liabilities	18,886,648	103,295,236	442,230	122,624,114	1,167,117,859
Net Assets					
Held in trust for:					
Employee pension benefits	--	--	--	--	1,832,667,990
Employee post-employment health benefits	--	--	--	--	16,635,653
Revolving loans	--	--	36,350,536	36,350,536	--
External investment pool participants	722,371,999	--	--	722,371,999	--
Other purposes	--	--	967,835	967,835	--
Total Net Assets	722,371,999	--	37,318,371	759,690,370	1,849,303,643
Total Liabilities and Net Assets	$ 741,258,647	$ 103,295,236	$ 37,760,601	$ 882,314,484	$ 3,016,421,502

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

COUNTY OF SAN JOAQUIN

Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended

	June 30, 2006			December 31, 2005
	Investment Trust Fund	Private Purpose Trust Funds	Total	Pension Trust Fund
Additions				
Employer's contributions	$ --	$ –	$ --	$ 62,508,615
Employees' contributions	--	--	--	10,854,798
Contributions from investments pool participants	3,454,001,432	--	3,454,001,432	--
Contributions from other governments		2,720,356	2,720,356	--
Interest and investment income/(loss)	31,007,983	211,559	31,219,542	121,731,639
Loan income	--	870,435	870,435	--
Miscellaneous income	--	250,171	250,171	5,226
Total Additions	3,485,009,415	4,052,521	3,489,061,936	195,100,278
Deductions				
Benefit payments	--	513,861	513,861	84,966,010
Contribution refund	--	--	--	1,113,623
Withdrawals from pooled investments	3,472,434,723	--	3,472,434,723	--
Allowance for loan writedowns	--	106,363	106,363	--
Administration expenses	--	20,063	20,063	2,407,673
Miscellaneous expenses	--	954,620	954,620	--
Total Deductions	3,472,434,723	1,594,907	3,474,029,630	88,487,306
Change in net assets	12,574,692	2,457,614	15,032,306	106,612,972
Net assets - beginning	709,797,307	34,860,757	744,658,064	1,742,690,671
Net assets - ending	$ 722,371,999	$ 37,318,371	$ 759,690,370	$ 1,849,303,643

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

BASIC FINANCIAL STATEMENTS
Notes to Financial Statements

Note 1: **Summary of Significant Accounting Policies**

A. **Reporting Entity**

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

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

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 so data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from County government.

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 writing to the County of San Joaquin, Auditor-Controller's Office, 24 S. Hunter Street, Room 103, Stockton, California 95202.

Blended Components. The special service districts governed by the Board are established for the purposes of providing special services to various County areas. The Board of Supervisors is the governing body of those special districts. However, the outstanding special assessment debts and the debt service of these special districts governed by the Board are excluded from these financial statements in accordance with GASB Statement No. 6, described in footnote 6. The special districts do not issue separate financial statements. For a specific list of special districts governed by the County's board, see note 5 on page 51.

The First Five San Joaquin County (previously, the Children and Families Commission) was established under the authority of the California Children and Families First Act of 1998 and sections 130100, et seq. of the Health and Safety Code. The County Board appointed all members of the agency. The Board can remove appointed members at will. The agency is blended within the County's special revenue fund and reported as a major fund for the fiscal year 2005-06.

The In-Home Supportive Services (IHSS) Public Authority maintains a registry and referral system to assist consumers in finding qualified in-home supportive services personnel as well as training of and support for providers and recipients of IHSS. The IHSS Authority is primarily funded by state grants. The County's Board is the governing body for the IHSS Public Authority. Therefore, this entity has been blended with the primary government.

The San Joaquin County Employees' Retirement System (SJCERS) is governed by the Board of Retirement. The Board consists of nine regular members and one alternate. Four are elected by participating members, four are appointed by the Board of Supervisors and one is the County Treasurer. Although it is legally separated from the County, the SJCERS is reported as if it were part of the primary government because the sole purpose of the SJCERS is to provide retirement benefits to the employees of the County and certain participating special districts. The SJCERS is reported as a trust fund in the financial statements. The System uses

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

A. **Reporting Entity** (continued)

the calendar year as its fiscal year; therefore, the financial information related to the Pension Fund represents the year ended December 31, 2005. The financial statements of the Pension Fund are available through SJCERS (see Note 3).

The San Joaquin County Public Facilities Financing Corporation is included as part of the primary government. The sole purpose of the Corporation is to finance for the benefit of the County the acquisition and construction of the County's major capital projects, as described in Note 11 – B. The Corporation has assigned and transferred, without recourse, to the US Bank Trust Corporation for the benefit of the owners of the certificates each and all of its rights under the Site Lease and the Project Lease. With the exception of bonds issued for the North County Landfill Project, the Solid Waste System Project and the San Joaquin General Hospital Expansion Project, debt service and outstanding debts are recorded in the debt service fund and general long-term debt account group, respectively, and the related capital projects are accounted for in the general fixed assets account group. The bonds issued for the North County Landfill Project, the Solid Waste System Project and the General Hospital Project and the related construction are reported in the Solid Waste Disposal Enterprise Fund and General Hospital Enterprise Fund, as applicable. The Corporation's financial statements are available through the County Administrator's Office.

Discretely Presented Component Units. The component units' column in the basic financial statements includes the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County. The County has chosen to report all of the discretely presented component units as major component units.

- Head Start Child Development Council, Inc., a nonprofit corporation, provides Head Start pre-school services to low-income families in San Joaquin County. The Council annually receives significant federal grants for providing Head Start services as a subrecipient through the County.

- San Joaquin County Economic Development Association, a nonprofit corporation, promotes, publicizes, encourages and coordinates economic development of San Joaquin County. The Association is governed by a five-member board appointed by the Board of Supervisors and is operationally funded solely by the County.

- Local Agency Formation Commission, established pursuant to Government Code Section 56000, is governed by five commissioners. It approves or disapproves any application proposing annexation or detachment of territory to or from a city or special district. It also develops and determines Spheres of Influence which are projected future service areas of local governmental agencies.

- Health Plan of San Joaquin, created by the Board of Supervisors in 1995, provides medical care and health services to Medi-Cal recipients and other groups of persons pursuant to various statutes specified in the Welfare and Institutions Code.

Separate financial statements of these individual component units have been issued and are available from their respective administration office or the County Auditor-Controller's office. Condensed financial data is presented in Note 19.

Related Organizations. The County's Board of Supervisors are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments; therefore, these organizations are not included in these financial statements. These organizations are Tracy Public Cemetery District, Escalon Cemetery District, San Joaquin Regional Transit District, New Mariposa Drainage District, San Joaquin County Housing Authority, and Collegeville Fire District.

Note 1: Summary of Significant Accounting Policies (continued)

A. **Reporting Entity** (continued)

Joint Powers Agreement. The County has seven Joint Powers Agreements (JPA). (1) San Joaquin Valleywide Air Pollution Study Agency was formed by the County and other counties in 1990 for the purpose of designing, planning, programming and implementing an ozone and air pollution study in the geographical territory encompassed by the member counties. (2) San Joaquin Area Flood Control Agency was formed by the County and the City of Stockton in 1995 to study, plan for, develop, finance, acquire, construct, maintain, repair, manage, operate and control water control works and facilities for the protection of the public. (3) San Joaquin Regional Rail Commission was formed by the County, certain incorporated cities within the County, and the Council of Governments in 1995 to resolve issues relating to the rail passenger services and facilities for the purpose of transporting passengers within and outside their respective boundaries. (4) Mokelumne River Water and Power Authority was formed by the County and San Joaquin County Flood Control and Water Conservation District in 1990 to finance the acquisition and construction of a dam, reservoir, generating facilities and conveyance facilities in order to benefit the County and the San Joaquin County Flood Control and Water Conservation District. (5) Northern San Joaquin County Groundwater Banking Authority (previously, East San Joaquin Parties Water Authority) was formed by the County, the San Joaquin County Flood Control and Water Conservation District, cities and other water conservation and irrigation districts in 1996. This JPA was formed to plan, along with other public entities, projects to meet the water deficiencies of Eastern San Joaquin County. (6) Altamont Commuter Express (ACE) was formed in 1997 by the San Joaquin Regional Rail Commission, a joint powers agency to which the County is a member, the Alameda County Congestion Management Agency and the Santa Clara County Transit District. ACE is formed to combine the parties' efforts to achieve a viable commuter rail service link over the existing rail line between the cities of the County and San Jose to improve air quality and reduce crippling congestion within the interstate highways. (7) Council of Governments was formed by the County and incorporated cities within the County in 1983 to manage the area-wide issues requiring multi-jurisdictional cooperation. With the exception of the responsibilities borne by the participating parties during the JPA start-up period, the County does not retain any on-going financial interest or responsibility in these JPAs, except Mokelumne River Power Authority and Northern San Joaquin County Groundwater Banking Authority, which are either controlled by the Board of Supervisors or fully funded by a County controlled district and therefore blended with the County's general purpose financial statements.

Non-Related Organizations. The school districts and special districts governed by local boards are independent and are not in any way related to the County and, therefore, are not included in these financial statements.

The Lodi Grape Festival and Harvest Fair (Festival) operates fairground facilities located in Lodi, California. It conducts the annual Lodi Grape Festival and the annual Harvest Fair. Although the County has the responsibility to provide certain capital assets and improvements to the Festival, the State Department of Food and Agriculture, through its Division of Fairs and Expositions, supervises and provides funding for the activities of the Festival. Therefore, it is not a component unit of the County.

The San Joaquin County Historical Society (Society), in addition to activities customarily associated with a historical society, operates the San Joaquin County Historical Museum for the County. The County provides the Society funds to cover the Museum operating expenses. Since there is no fiscal dependency or financial burden to the County, it is not a component unit of the County.

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

B. **Basis of Financial Presentation**

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* is effective in the financial statements for the year ending June 30, 2007. It establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The County will not be early implementing GASB Statement No. 43.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section,* is effective for the fiscal year ending June 30, 2006. It provides specific requirements for the statistical information presented in a comprehensive annual financial report (CAFR). Although it does not prepare a CAFR report, the County has chosen to prepare some financial statistical information in this financial report.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* is effective for the fiscal year ending June 30, 2008. It establishes standards for the measurement, recognition and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The County will not be early implementing GASB Statement No. 45.

GASB Statement No. 46, *Net Assets Restricted by enabling Legislation* is effective for the fiscal year ending June 30, 2006. It clarifies the definition of the "enabling legislation" used in GASB Statement No. 34, *Basic financial Statements-and Management's Discussion and Analysis-for State and Local Governments.*

GASB Statement No. 47, *Accounting for Termination Benefits,* is effective for the fiscal year ending June 30, 2006. It establishes accounting and reporting requirements for all termination benefits (both voluntary and involuntary termination benefits). The County has always been reporting the termination benefits using the termination payment method to recognize the expenditure/expense and liability.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Inta-Entity Transfers of Assets and Future Revenues,* is effective in financial statements for the year ending June 30, 2006. It establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future revenues. The County does not have any of these transactions.

Government-wide Financial Statements

Information relating to the primary government (the County) and its components is displayed in the statement of net assets and statement of activities. 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 units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by fees charged to external parties.

The statement of activities presents a comparison between direct and indirect 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 a function and; therefore, are clearly identifiable to a particular function. Indirect expenses are those that are allocated to a program or a function from the County's centralized general service function based on the cost allocation principles established by the Federal Office of Management and Budget (OMB). Program revenues include 1) charges paid by the recipients of goods or services offered by the programs, 2) fines and penalties ordered by

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

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

Government-wide Financial Statements (continued)

the courts, 3) licenses and permits charged by the programs, and 4) 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, it is County policy to use restricted net assets first, and then use the unrestricted resources as they are needed.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Although not required to be reported as major funds, the County has chosen to report the Mental Health Substance Abuse Fund, the First Five Program, and all enterprise funds as major funds for consistency reasons. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Proprietary fund operating expenses, such as salaries and benefits or services and supplies, result from providing services and producing and delivering goods in related to the proprietary fund's primary operations. Expenses that are not directly related to the proprietary fund's primary operations are reported as non-operating expenses.

The County reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources and transactions except those required to be accounted for in another fund. It includes certain special accounts that are under the control of various general fund departments and those that are used to accumulate resources for designated purposes.

- Mental Health and Substance Abuse Service Fund – The Mental Health and Substance Abuse Service Fund is used to account for the proceeds of specific sources with its expenditures legally restricted for mental health and substance abuse services.

- First Five Program – The Children and Families Program Fund is used to account for the funding provided through excise taxes collected by the State on tobacco products following voter approval of the Children and Families Act of 1998 (Prop. 10). The purpose of the program is to promote, support, and improve the early development of children from the prenatal stage to five years of age. Monies are expended in accordance with a strategic plan prepared by the San Joaquin County Children and Families Commission.

Note 1: Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements (continued)

The County reports all of its enterprise funds as major funds:

- The San Joaquin County General Hospital Fund (the Hospital) accounts for hospital operations involved in providing health services to County residents. Revenues are primarily fees for patient services, payments from Federal and State programs such as Medicare, Med-Cal, realignment revenues and subsidies from the general fund.

- The San Joaquin County Airport Enterprise Fund (the Airport) accounts for commercial, corporate business, and general aviation activities of the County. Revenues are primarily landing fees, rental and concessionary fees generated from the Airport owned facilities, capital grants from the Federal Aviation Administration and unsecured property taxes within the Airport's boundaries.

- The San Joaquin County Solid Waste Enterprise Fund accounts for the County's solid waste transfer and disposal activities, acquisition, design, development, and closure and postclosure maintenance of landfill sites, refuse collection franchise management, and other recycling programs. Revenues are primarily the gate fees and franchises.

- The Mountain House Community Services District Utility Enterprise Fund accounts for the water, wastewater, and storm services to the Mountain House Community Services District. Revenues are primarily the utility service fees.

The County reports the following additional fund types:

- Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments or agencies of the County on a cost recovery basis. These services include the County's fleet maintenance, telephone and radio communications, office automation, and centrally managed insurance programs – workers compensation, employee medical, dental, and unemployment benefits, and casualty liabilities.

- The Pension Trust Fund –This is used to account for the County Retirement System assets and changes in net assets. The Retirement System is a separate entity and its financial operations are controlled by the Board of Retirement. The financial statements of the Retirement System are included as a part of the primary government. The post-retirement health benefit plan is also included in the Pension Trust Fund, as it is managed by the County's Retirement System.

- Investment Trust Fund – This is used to account for the assets of legally separate entities who participate in the County Treasurer's investment pool. This fund represents the assets, primarily cash and investments, and the related net assets/fund balance for investment pool participants, such as schools, local fire districts, the San Joaquin County Superior Court, reclamation districts, etc.

- Private-purpose Trust Funds – These funds are used to account for the assets held for a minor pursuant to a liability claim settlement, and revolving loan funds that are funded by the Federal Community Development Block Grant, Home Loan Program, and Economic Development Administration for the benefit of the community as a whole, rather than for the benefit of the County.

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

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

Fund Financial Statements (continued)

- Agency Funds – These funds are used to account for the assets and the related liabilities of clearing accounts, such as payroll withholdings, estate accounts, assets forfeiture accounts, court ordered deposits, and various entities other than those accounted for in the Investment Trust Fund.

C. **Basis of Accounting**

The government-wide, proprietary, pension, and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) values without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On the accrual basis, property tax revenues are recognized in the fiscal year for which the taxes are levied. Sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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 accounting principles generally accepted in the United States of America for governmental units. The County has elected not to follow subsequent private-sector guidance of the Financial Accounting Standards Board after November 30, 1989.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, expenditures are recorded when the related liability is incurred except the unmatured interest on long-term debt, and expenses 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. Revenues are recorded when they are both measurable and available to finance expenditures during the fiscal period. Property and sales taxes, interest, state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Revenues earned but not received within sixty days after the end of the accounting period, on the other hand, are recorded as receivables and deferred revenues, in accordance with GASB 34.

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

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

The financial statements of the component units are maintained on the following basis of accounting:

- San Joaquin County Economic Development Association: accrual accounting basis.
- Head Start Child Development Council, Inc.: modified accrual accounting basis plus accrual of encumbered expenses.
- Local Agency Formation Commission: modified accrual accounting basis.
- Health Plan of San Joaquin: accrual accounting basis.

D. **Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers.

- Loans are reported as receivable and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/due from other funds" (the short-term interfund loans) or "advance to/from other funds" (the long-term interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, are reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

- Services provided, deemed to be at market or near market rate and are the core business of the function, are treated as revenues or expenditures/expenses in the funds involved. The related accounts payable and accounts receivable are eliminated upon consolidation and are referred to as "due to/due from other funds" on the fund statements.

- Reimbursement transactions are treated as reductions of expenditures/expenses in one fund and corresponding increases in the other fund.

- Operating/Capital transfers are reported as recorded as "transfers in" or "transfers out" in the other financing sources and netted as part of the reconciliation to the government-wide presentation.

E. **Cash and Investments**

Cash and investments consist of cash held in the bank or on hand and debt and equity securities. All investment securities, such as certificates of deposit, bankers acceptances, commercial paper, repurchase agreements, and U.S. Treasury notes, stocks, bonds, etc. are stated at fair market value in accordance with GASB Statement 31. The commingled funds are valued based on the fair value of the commingled trust's underlying assets. Interest earnings on the County Treasurer's investment pool are distributed to all participating funds based on their average daily cash balance within the pool.

F. **Inventory and Prepaid Expenses**

Inventory of materials and supplies in the enterprise funds, internal service funds, Sheriff's Commissary Store (a General Fund account), Mental Health & Substance Abuse Fund (a major governmental fund), and Road Fund (a nonmajor governmental fund) are stated at cost as determined by the first-in, first-out method. Materials and supplies purchased by other funds are for current consumption and are recorded as expenditures when consumed.

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

F. **Inventory and Prepaid Expenses** (continued)

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

G. **Capital Assets**

Capital assets (including infrastructure) are recorded at historical costs or at estimated historical cost if actual historical cost is not available. Infrastructures acquired prior to June 30, 1980 are not recorded. The County defines capital assets as assets with an initial, individual cost of more than $1,000 for equipment/furniture and $5,000 for structures and improvements, and an estimated useful life in excess of one year.

Capital assets acquired by the governmental funds are accounted for as expenditures of those funds and capitalized and recorded as assets in the government-wide financial statements. Assets constructed through the issuance of Certificates of Participation are capitalized. Material interest and incidental expenses, net of interest revenue earned on proceeds of Certificates of Participation during the construction period, have been capitalized. Major equipment acquired through long-term lease purchase arrangements is capitalized and reported as assets in the government-wide statement of net assets.

Contributed fixed assets are valued at their estimated fair market value on the date contributed. Contributed capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including pavements in progress, bridges and right of way.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that 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.

Depreciable capital assets of the enterprise funds and internal service funds are depreciated using the straight-line method over estimated useful lives of 10 to 60 years for structures and improvements and 2 to 20 years for equipment, furniture and fixtures.

Capital assets used in operations of the governmental funds are depreciated on the government-wide financial statements only, using the straight-line method over estimated lives of 10 to 50 years for structure and improvements and 2 to 5 years for equipment, furniture, and fixtures.

Infrastructure (i.e., roads, bridges, water/sewer, drainage system, flood control, etc.) is depreciated on the government-wide financial statements. The County uses a composite method to depreciate the infrastructure acquired after June 30, 1980 over an estimated weighted average life of 25 years.

H. **Capital Lease Obligations**

Capital leases consist of lease-purchase obligations stated at the present value of future minimum lease payments.

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

I. **Property Taxes**

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. The County is responsible for the assessment, collection and apportionment of property taxes for all jurisdictions including schools and special districts within the County.

Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIII of the California State Constitution and statutory provisions. The total 2005-06 net assessed valuation of the County real property was $46.2 billion.

The property tax levy to support general operations of the various jurisdictions is limited to 1% of full cash value and is distributed in accordance with statutory formulas. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by the Board after approval of city councils or the governing boards of special districts where applicable. Property taxes are levied on both real and personal property.

Secured property tax payments are levied in two equal installments: the first is generally due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property with unpaid taxes incurs a lien on January 1 preceding the fiscal year for which taxes are levied. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31.

In 1983, the Governor signed Senate Bill 813 which requires county assessors to appraise property and issue an assessment when new construction is completed or a change in ownership occurs. The supplemental assessment will reflect the change in value for the remainder of the property tax year. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill.

The County's Property taxes are accounted for in the property tax collection fund (tax resource fund) until apportionments are made and funds are disbursed to taxing jurisdictions. The fund carried a deficit cash balance of approximately $34.9 million as of June 30, 2006.

Since fiscal year 1993-94, the County has opted into the alternative tax apportionment method, commonly known as the Teeter Plan. Under this method, the County, along with all other taxing agencies, has been paid 100% of the current secured taxes levied for each year. The fund balance (deficit) of the tax resource fund is consolidated with the General Fund at year-end. To finance the 100% distribution, the County has been choosing the interfund borrowing method every year since 1993-94 and reports the borrowing as the liability of the County General Fund.

The County maintains a balance of 2.5% (the legally required minimum balance is 1%) of the annual taxes levied on properties participating in the Teeter Plan in a Tax Loss Reserve Fund. The balance was approximately $18.0 million at June 30, 2006. Penalties and interest collected on delinquent secured taxes are kept in the Tax Resource Fund.

Taxes, including unsecured property taxes, earned but not collected within 60 days after June 30, 2006 is recorded as taxes receivable (approximate $63.7 million) and is offset by a deferred revenue liability of $45.3 million on the fund statements. The changes in deferred revenues between prior fiscal year and the current fiscal year, however, are recognized as revenues on the government-wide financial statements. The net taxes receivable was $45.7 million, net of the estimated uncollectible amount of $18.0 million.

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

J. Compensated Absences

Unused vacation leave may be accumulated up to a specified maximum and is paid at the time of termination from County employment. In accordance with the memorandum of Understanding (MOU) between the County and the employees' unions, the County is only obligated to pay for unused sick leave up to a certain percentage at the time of eligible employees' retirement. Upon retirement, the County converts the non-cash pay out portion to a sick-leave bank to provide the post retirement medical or dental premium coverage for eligible employees.

The County accrues as current liabilities on the fund statements the compensated vacation and other leave benefits that are attributable to employees' services already rendered but not yet paid. A portion of the cash payout of the unused sick leave upon retirement, based on the past three years' experience, is also accrued as current liabilities. The non-current portion of the unused sick leave to be paid upon retirement is accrued as long-term liabilities by the proprietary funds but is represented as a reconciling item between fund and government-wide presentation for the governmental fund type.

K. 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 straight-line method. Bonds payable are reported net of the applicable bond discount. 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 period paid. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

L. Cash and Cash Equivalents

For purposes of the statements of cash flows of the proprietary funds, cash and cash equivalents are defined as cash pools managed by the County Treasurer and any other short-term, highly liquid investments that are both a) readily convertible to known amounts of cash and b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Changes in fair value of investments are reported as cash flow from investing activities as they meet the definition of cash equivalents.

M. Management Estimates

In preparing basic financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

N. Postemployment Health Benefits

The County does not provide employees any Other Post Employment Benefits (OPEB) other than the postemployment health benefits under the "sick leave bank" program, as described below. The sick leave bank program is administered by the County's Retirement System (see Note 3 – employee Retirement Systems for more information).

Note 1: Summary of Significant Accounting Policies (continued)

N. **Postemployment Health Benefits** (continued)

The County provides full time employees with 12 days of paid sick leave per year. Unused sick leave is allowed to accumulate. As a result of the settlement of a lawsuit, as explained later, for those regular employees who were hired on or before August 26, 2001 and meet certain requirements, their accumulated unused sick leave, net of their cash-out portion, upon retirement is converted to a sick leave bank at a rate of $27.65 per hour, which is used to pay their postemployment health insurance costs. Employees hired after that specified date are not eligible for sick leave cash payout or the sick leave bank benefits. The actuarial accrued liability was $30.5 million with $16.6 million of the actuarial value of the assets in the sick leave bank account at December 31, 2005.

At December 31, 2005, the total number of the eligible members was comprised of 4,142 active members and 891 retired members.

O. **Hospital and Other Program Revenues**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Gross patient services revenue for year 2005-06 was $274.8 million, the estimated adjustment was $133.1 million for a net patient service revenue of $141.7 million. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

- Medi-Cal and Medicare Programs – A substantial portion of Hospital revenues is derived from services provided to patients eligible for benefits under the Medi-Cal and Medicare programs. Medi-Cal inpatient services are reimbursed at a contractually agreed upon per-diem rate. Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups. Certain other services to Medicare beneficiaries are reimbursed based on cost, subject to certain limitations.

- SB1100 – Medi-Cal Hospital Waiver.

  In September 2005, the California legislature passed SB1100. It puts in place the negotiated payment method (California's Medi-Cal Hospital Waiver) between the State of California and the federal government. The Medicaid Waiver (Waiver) is a financing agreement that changed how the State draws down federal matching funds to support public hospitals. It replaced a 15-year old system – SB855 and SB 1255 that governed hospital fee-for-service (FFS) and disproportionate Share Hospital(DSH) payments. Under the new Waiver, the non-federal share used to draw the federal funds is a combination of certified public expenditures (CPEs) and intergovernmental transfers (IGTs).

  The Medi-Cal Waiver assigns each affected hospital a baseline payment amount (amounts paid in 2004-2005 fiscal year) and establishes a method for distributing additional Waiver funds, referred to as stabilization funds, among the hospitals. The aggregate baseline funding for the 22 public hospitals is estimated at $2.092 billion and stabilization funding is estimated at $252 million as of June 30, 2006. San Joaquin General Hospital's FY 2006 baseline amount is estimated at $52.6 million with stabilization funds estimated at $4.0 million at June 30, 2006.

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

O. **Hospital and Other Program Revenues**

- SB1100 – Medi-Cal Hospital Waiver (continued).

The four funding components that will be utilized to ensure hospitals receive baseline and stabilization funding is as follows:

(1) Medi-Cal inpatient FFS cost-based per diems: Federal payments made to public hospitals for services delivered to Medi-Cal patients. The federal payment rate represents approximately half of the facility-specific costs or CPEs. Public hospital FFS payments will fluctuate based on number of facility-specific Medi-Cal patients served and the facility-specific cost-per-day computations that will be adjusted on an interim and final basis. These funds are counted towards the calculation of baseline funding for the designated public hospitals. The aggregate Medi-Cal inpatient FFS value among the designated public hospitals is estimated at $783 million as of June 30, 2006. San Joaquin General Hospital's FY 2006 FFS payment amount is estimated at $20.3 million as of June 30, 2006.

(2) Disproportionate Share Hospital (DSH) funds: Federal payments made to hospitals to account for a portion of the uncompensated care delivered to the uninsured, including undocumented immigrants. Funds also can be applied to make up for shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments and the cost of care delivered. The non-federal share of these funds will be a combination of CPEs for these services and IGTs and as such are subject to interim and final cost settlement. These funds are counted towards the calculation of baseline funding for the designated public hospitals. There is an annual fixed allotment of Federal DSH Funds. The waiver allocates almost all of these funds to public hospitals. The aggregate value of DSH funds for the designated public hospitals is estimated at $1.025 billion as of June 30, 2006. San Joaquin General Hospital's FY 2006 DSH payment amount is estimated at $24.3 million as of June 30, 2006.

(3) Safety Net Care Pool (SNCP): Federal payments made to public hospitals and clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. The non-federal share of these funds will be CPEs for these services and as such are subject to interim and final cost settlement. Both public and private safety net hospitals will access the pool to achieve baseline funding and for stabilization funds. The SNCP is capped at $586 million per year for FY 2005-06 and FY 2006-07. San Joaquin General Hospital's FY 2006 SNCP payment amount is estimated at $7.9 million as of June 30, 2006.

(4) Payments to private and non-designated public DSH hospitals that exceed baseline amounts. Private and non-designated public DSH hospitals are guaranteed an aggregate baseline amount equal to the amount received in FY 2004-2005. Payments that exceed that aggregate baseline are considered stabilization funds and are included in the allocation of stabilization among all waiver hospitals. These payments are estimated at $92 million as of June 30, 2006.

The combination of these four funding sources is designed to provide each affected hospital a baseline payment amount and stabilization funds. Since the DSH and SNCP funding are fixed allotments, the availability of stabilization funding is dependant upon the aggregate inpatient FFS Medi-Cal CPEs among the designated public hospitals (funding source #1 above) and the payments that exceed baseline to the remaining DSH hospitals (funding source #4 above).

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

O. **Hospital and Other Program Revenues** (continued)

- SB1100 – Medi-Cal Hospital Waiver (eontinued).

  Reconciliation and Finalization of Stabilization
  SB 1100 requires the Department of Health Services (DHS) to finalize the calculation of stabilization funding for each hospital and pay that amount by April 1 following the project year. For designated public hospitals the amounts will be based on the most recent claims data adjusted for amounts not yet paid, and the filed Medi-Cal cost reports for the project year. In calculating stabilization, the Department of Health Services shall reduce each hospital's cost data by a percentage that represents the average percentage change from total reported costs to final costs for the three most recent cost reporting periods. Non-hospital cost data will be reduced by 10%. The stabilization determined through this process shall not be modified for any rcason other than mathematical errors or mathematical omissions on the part of the department.

  Final Reconciliation
  Each hospital's claims will be subjcct to a final reconciliation that will occur when the cost report for the project year is audited. According to the accounting and reimbursement protocols of the Waiver, if at the end of the final reconciliation process it is determined that a hospital received an overpayment, the overpayment will be properly credited to the federal government.

- SB1732 – The Hospital participates in the SB1732 program which provides supplemental Medi-Cal rcimbursement to qualifying hospitals for a portion of their dcbt service on revenue bonds that were issued to finance the construction or maintenance of a new facility. To qualify for SB1732, thc hospital must be a Disproportionate Share Hospital facility, and be a Med-Cal contracting hospital. Since the funds received are supplemental Medi-Cal payments, the payments are applied against the Medi-Cal contractual allowance, increasing net patient scrvicc revcnue. Thc County Hospital recognized $5.2 million of SB1732 revenues in this year.

- Health and Welfare Realignment Act – in fiscal year 1991-92, the State implemented thc Hcalth and Welfare Realignment Act (Realignment), which transfcrred a significant portion of the financial and administrative responsibilities for local health and welfare programs from the State to countics. Thc Statc utilizcs a onc-half ccnt salcs tax increase and an increase in vehiclc licensc fecs as the sources for funding allocations to the counties in lieu of previous State General Fund financing. Thc amount receivcd by counties is depcndent upon the actual increased salcs tax and vehiclc licensc fees. The County Realignment revenues from the one-half cent sales tax are recorded as Aid from Other Governmcntal Agencics in thc Gcneral Fund, Mental Health/Substance Abuse Fund (a major fund), and are applied against the Medi-Cal contractual allowance, increasing net patient service revenue in the County Hospital Enterprise Fund. The County Realignment revenues from thc increased vchicle license fees are recorded as Aid from Other Governmental Agencies in the General Fund; the portion of these rcvcnues transfcrred from the General Fund to the Mental Health/ Substance Abusc Fund and thc Hospital Fund are recorded as intcrfund transfcrs. In this year, thc County rccognized $65.3 million realignment revenues as Aid from the State and applied $8.2 million realignment revenues to the Medi-Cal contractual allowance, incrcasing nct patient service rcvenue.

Note 2: Cash and Investments

With the exception of the Pension Fund, Revolving Loan Fund Trusts, and restricted Certificates of Participation proceeds, the San Joaquin County Treasurer-Tax Collector pools cash from various funds for investment purposes. Interest earned on investments is credited to individual funds based on their average daily cash balances and current year secured tax charges and direct assessments where applicable. The Pension Fund, Revolving Loan Fund Trusts, and restricted Certificates of Participation proceeds are invested and managed separately from the pooled cash and investments.

Investment Pool

The San Joaquin County Treasurer's Pool is not SEC-registered, but is invested in accordance with California State Government Code, and the San Joaquin County Treasurer's Investment Policy. The Califonia statutes and the County's investment policy authorize the County to invest in obligations of the U.S. Treasury, certain Federal agencies, bankers acceptances, "prime" commercial paper, certificates of deposit, swaps and trades, State Treasurer's Local Agency Investment fund and repurchase agreements. All of the County Treasurer's investments are of a mid-term and short-term nature. California State Government Code requires the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Oversight Committee reviews the monthly investment report prior to presentation to the Board of Supervisors and causes an audit of investments to occur annually.

Of the total cash, deposits, and investments in the investment pool, $7.6 million was restricted for capital projects of the Solid Waste Enterprise Fund in accordance with the official statement of the 2003 Certificates of Participation.

Deposits

At year-end, the carrying amount of the County's cash on hand and authorized deposits at various financial institutions was $30.0 million. Of the total deposits, $27.4 million was uninsured but secured by the pledging banks and, therefore, was exposed to **custodial credit risk**. The custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it.

Statutes and County investment policy allow the pool deposits be covered by federal depository insurance or by a multiple financial institution collateral pool, which is maintained at a minimum of 110% of the uninsured deposits with the pledging institution's agent in the institution's name. The County has made no exceptions to this requirement during the current year.

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

Investments

As of June 30, 2006, the County had the following pool investments.

		Fair Value	Weighted Average Maturities (in days)	Fair Value as % of the Pool Investments	Credit Rating S&P/MIS
Commercial papers	$	252,710,358	22	19.2%	A-1/P-1
Repurchase agreements		665,000,000	132	50.4%	Aaaa/AAA
Federal National Mortgage Association		90,252,077	314	6.8%	Aaaa/AAA
Federal Home Loan Mortgage Corporation		122,015,076	136	9.2%	Aaaa/AAA
Certificate of Deposits		149,999,400	83	11.4%	Not applicable
State Local Agency Investment Fund (LAIF)		40,000,000	1	3.0%	Not rated
Total	$	1,319,976,911	114	100.0%	

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the County investment policy, the County Treasurer manages the exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to three years or less. As of June 30, 2006, the weighted average maturity of the pool investments was 114 days.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. California statutes and the County's Investment Policy limit the County investments to obligations of the U.S. Treasury, certain Federal agencies, bankers acceptances, "prime" commercial paper, certificates of deposit, swaps and trades, State Treasurer's Local Agency Investment Fund and repurchase agreements. At June 30, 2006, the credit rating of the pool investments is presented above.

Concentration of Credit Risk – Concentration of credit risk is the loss risk attributed to the magnitude of a government's investment in a single issuer. The County's investment policy places certain maximum percentage limitations of investments by investment type and the Treasurer has been adhered to this policy with no exception. As of June 30, 2006, the County's investments by investment type as the percentage of the pool investments are shown above.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As required by the County investment policy, all of the County's $665.0 million investment in repurchase agreements are collateralized by either U.S. Treasury securities or by any U.S. Federal agency security with a market value of 102% of the repurchase agreements. The underlying securities were not in the name of the County but were held by a third party independent bank.

Local Agency Investment Fund (LAIF) – It is an investment pool managed by the California Department of Treasury. The County's total investment in the LAIF at June 30, 2006, was $40 million with a maturity date of July 1, 2006. The total amount invested by all public agencies in LAIF at June 30, 2006, was $63.3 billion. At June 30, 2006, the LAIF's investment portfolio had $225.0 million in structured notes that were issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association and the Federal Home Loan Bank System. It also had $1400.9 million asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute.

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

Investments (continued)

Statement of Net Assets

The following represents condensed statements of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2006. The cash and investments of the Revolving Loan Funds and the deposits with other banks are not included in this statement, as they are managed and invested by a trustee bank. All dollars are in thousands.

Statement of Net Assets	($000s) Internal Investment Pool	External Investment Pool	Total
Assets:			
Cash and investments**	$ 521,695	$ 723,144	$ 1,244,839
Investment income receivable	18,324	9,935	28,259
Pool participants fund deposit receivable	191,476	8,180	199,656
	731,495	741,259	1,472,754
Liabilities	246,578	18,887	265,465
Net Assets	$ 484,917	$ 722,372	$ 1,207,289

** Not including the cash and investments of the Revolving Loan Fund and the deposits with other banks that were managed by the trustee banks.

Statement of Changes in Net Assets	($000s) Internal Investment Pool	External Investment Pool	Total
Additions:			
Contributions	$ 1,998,516	$ 3,454,001	$ 5,452,517
Investment income	34,965	31,009	65,974
Total Additions	2,033,481	3,485,010	5,518,491
Deductions:			
Distributions	1,963,538	3,472,435	5,435,973
Net Change	69,943	12,575	82,518
Net Assets - Beginning	414,974	709,797	1,124,771
Net Assets - Ending	$ 484,917	$ 722,372	$ 1,207,289

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

Special Funds and Investments

In additional to the County Treasurer's investment pool, certain specific funds and investments are managed by contracted financial institutions. Those are of the Revolving Loan Fund and the restricted Certificates of Participation (COPs) proceeds. The investments of COPs were reported as restricted cash and investments on the financial statements. The purpose of the restricted cash is to fund future long-term debt payments ($25,213,385) and to restrict cash for patient gift funds ($38,412). Presented below are those deposits and investments managed by the trustee banks at June 30, 2006.

	Fair Value				
	Revolving Loan Fund	Certificates of Participation	Total	Weighted Average Maturities	Credit Rating S&P/MIS
Cash and money market fund deposit	$ 1,580,158	$ 624,890	$ 2,205,048	Not applicable	Not applicable
Mutual fund - fixed income fund	2,744,326	--	2,744,326	Not applicable	Aaaa/AAA
Repurchase agreement	--	8,120,000	8,120,000	14.2 years	A/A
U.S. Treasury notes	--	8,840,972	8,840,972	0.9 year	Not applicable
	$ 4,324,484	$ 17,585,862	$ 21,910,346		

The total deposit of $2.2 million was uninsured and was exposed to **custodial credit risk**.

All of the underlying investments of the fixed income mutual fund were in obligations of the U.S. government and were not subject to credit risk.

The investments in repurchase agreements and US. Treasury notes held by the trustee bank, not in the name of the County, were pledged to the trustee for the benefit of the owners of Certificates of Participation (See Note 11B).

Based on the trust agreements, the trustee bank's investments are limited by the laws of the State of California and the County's investment policy. At June 30, 2006, the repurchase agreement of $8.1 million with the maturity date of September 1, 2020 was collateralized by either U.S. Government or its agencies security with a market value of 104% of the agreement and had a credit rating of A by S&P and Moody's. The securities purchased under repurchase agreements were mortgage-backed securities that were not in the County's name but held by the County's Trustee Bank.

The U.S. Treasury notes had a 1.0 weighted-average-maturity-year.

Pension Fund Investments

The Pension Trust Fund's investment activity is governed by the Board of Retirement's policy. Accordingly, domestic equity investments are targeted to comprise, at market value, approximately 41% of the portfolio, and the international equities are targeted at approximately 19%. Fixed income investments are to comprise, at market value, approximately 33% of the portfolio and Real Estate investments are targeted at approximately 7% of the portfolio.

The Pension Fund's investments, presented at fair market value in accordance with GASB Statement #25, consist of both short term and long term investments.

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

Pension Fund Investments (continued)

		Market ($000's)
Investments:		
Domestic equities	$	543,544
Domestic debt securities		382,877
International equities		267,299
Sub-Total		1,193,720
Investments held by broker-dealers under securities loans:		
Domestic equities		112,742
Domestic debt securities		158,169
International equities		94,773
Total Investments held by broker-dealers under securities lending		365,684
Commingled funds		204,329
Short-term investment pool		19,839
Sub-Total		589,852
Cash held by custodian (including cash collaterals)		346,724
Total	$	2,130,296

All investments owned by the Pension Trust Fund (the Plan) are held for safekeeping by independent master custodians through a "book entry system".

The Commingled funds are managed by the Plan's investment manager who pools assets of several unrelated pension and/or employee benefit plans for investment purposes. Each participant owns units of the participation in the fair market value of the underlying assets of the Commingled Funds. The underlying assets consist of mainly common stocks of companies headquartered outside the U.S.

Cash not needed for the Plan's daily operations is deposited with the Plan master custodian, who pools from their clients all cash pending for permanent investment in their Short Term Investment Fund (STIF) and/or Short-Term Extendable Portfolio (STEP) accounts. The cash in the STIF account is invested in high-grade money market instruments with very short maturities, such as bonds, notes, foreign currency deposits (call deposits) and forward exchange contracts on a short-term basis. The cash in the STEP account is invested in various securities with the purpose of maximizing returns to the extent consistent with minimizing unit value volatility. The STEP investments are marked to market daily. At December 31, 2005, the Plan had $39.9 million, $19.8 million, and $294.8 million in the STIF, the STEP, and the security lending STIF account, respectively.

Security Lending – The security lending STIF account represents the short-term investment of the cash collateral received from the borrower under the security-lending program. The Plan's master custodian was appointed as the lending fiduciary by the Plan. Under the contract, the master custodian may lend securities of the Plan, other than commingled funds, held by it to certain Plan approved security borrowers. All loans are fully collateralized with cash, securities issued or fully guaranteed by the U.S. Government, or irrevocable bank letters of credit. Initial collateralization is 102% of the market value of the loaned securities. As securities are loaned, collateral is maintained at a minimum of 100% of the market value of the securities plus accrued income. The potential risks involved in the security-lending program normally could include: borrower bankruptcy, collateral deficiencies, and problems with settlements, corporate actions, dividends and interest.

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

Pension Fund Investments (continued)

Since the security-lending program is operated on a pooled basis, the cash collateral and the market value of non-eash collateral are pro-rated among all participants. The securities lending contracts do not allow the lenders to pledge or sell any non-cash collateral unless the borrower defaults. Cash collateral, on the other hand, is invested by the Plan's master custodian in a fund created solely for the investment of cash collateral purposes. At year-end, the Plan had no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceeded the amounts the borrowers owe the Plan.

The cash collateral is reported on the financial statement as an asset and as a liability of the Pension Fund while the non-cash December 31, 2005 the out-on-loan securities, consisted of the following (17% of the total market value of securities, excluding the commingled funds owned by the San Joaquin County Employees' Retirement Association):

[dollars in 000's]	Fair Value	Cash Collateral Value	Non-Cash Collateral Value
Domestic equities	$ 112,742	$ 115,919	$ --
Domestic debt securities	158,170	151,786	10,416
International equities	94,773	27,097	72,876
Total	$ 365,685	$ 294,802	$ 83,292

Custodial Credit Risk – All cash deposits of $346.7 million with the pension fund's independent custodian, Northern Trust (NT), were uninsured and uncollateralized. All investment securities were held by NT and identified by NT's internal records that the Plan was the owner of the securities, and therefore they were not subject to custodial credit risk.

Concentration of Credit Risk – The Plan's investment policy restricts investment holdings to maximum of 5% of any single issuer within the Plan's investment portfolio. At December 31, 2005, the following holdings of the Plan exceeded the 5% maximum of a single issuer.

Issuer	% of Plan Investment Portfolio	Market Value
FNMA	7.03%	$ 125,374,351
State Street Bank of Trust. Co	7.17%	$ 127,862,197

Interest Rate Risk – The Plan manages its exposure to declines in fair values by requiring a minimum quality rating of Baa (Moody's) or BBB (Standard & Poor's) for fixed income securities. At December 31, 2005, the Plan's investments subject to the interest rate risk are presented below.

	Fair Value ($000)	Weighted Average Maturity (Years)	Quality Rating MIP	Quality Rating S&P
Asset Backed Securities	$ 15,848	14.20	Aaa/Aa3	A/A+
Corporated Bonds	187,925	12.70	ABaa1/Aa3	BBB-/A+
Government Bonds	138,250	2.40	Aaa	AAA
Municipal/Provincial Bonds	2	8.90	Aaa	AAA
Total	$ 342,025	8.60		

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

Pension Fund Investments (continued)

Foreign Currency Risk –The Plan had the following investments that were exposed to foreign currency risk. The Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Market Value by Type of Investment ($000)

Currenty Type	Common Stock	Fixed Income	Ventures & Partnerships	Cash and Cash Equivalents	Total Market Value
Australian dollar	$ 6,169	$ --	$ --	$ 14,868	$ 21,037
Canadian dollar	10,693	--	--	(929)	9,764
Swiss franc	33,302	--	--	(5,874)	27,428
Chinese yuan renminbi	--	--	--	15,444	15,444
Czech koruna	--	--	--	2,411	2,411
Danish krone	3,568	--	--	--	3,568
Euro	96,370	--	--	(75,523)	20,847
British pound sterling	72,221	--	--	27,426	99,647
Hong Kong dollar	6,342	--	--	--	6,342
Hungarian forint	--	--	--	(429)	(429)
Japanese yen	104,075	--	--	54,582	158,657
South Korean won	--	--	--	6,742	6,742
Mexican peso	--	--	--	7,518	7,518
Norwegian krone	2,876	--	--	(12,499)	(9,623)
New Zealand dollar	--	--	--	6,256	6,256
Polish zloty	--	--	--	2,517	2,517
Swedish korona	6,986	--	--	(3,206)	3,780
Singapore dollar	1,577	--	--	--	1,577
New Taiwan dollar	--	--	--	1,053	1,053
United States dollar	856,680	541,046	19,867	34,858	1,452,451
South African rand	1,961	--	--	1,020	2,981
Totals	$ 1,202,820	$ 541,046	$ 19,867	$ 76,235	$ 1,839,968

Component Units

With the exception of the San Joaquin County Economic Development Association, all discretely presented component units utilize the County Treasury investment pool and receive their share of interest apportionment. The San Joaquin Economic Development Association's cash is deposited with a local bank and is covered by federal depository insurance.

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

Summary of Cash and Investments

Total cash and investments at June 30, 2006 are summarized below:

	Fair Value
Cash and investments – unrestricted pool	$ 1,236,887,261
Cash and investments – restricted pool	7,627,523
Cash and investments – restricted	17,624,274
Cash and investments – other banks	11,248,331
Cash and investments – pension fund	2,130,296,096
Imprest cash	323,905
	$ 3,404,007,390

Note 3: **Employee Retirement System**

The County's pension fund is governed by the Board of Retirement of the San Joaquin County Employees' Retirement System (Plan). Prior to Fiscal Year 1993-94, the County also participated in the California Public Employees' Retirement System (PERS) for employees working in the Division of Public Health of the County Health Care Services. Since the 1993-94 fiscal year, all County employees are covered by one single retirement plan, the San Joaquin County Employees' Retirement System (SJCERS). The Public Health employees are covered by the County Retirement System through reciprocity. Both the County's and the employees' cumulative contribution to PERS will remain with PERS.

The County also contracted with Public Employees Benefit Services Corporation (PEBSCO) to administer a qualified retirement plan under Section 401(a) of the Internal Revenue Code for full-time County physicians in health care services. These physicians are not members of the San Joaquin County Employees' Retirement System. The plan became operative on January 1, 1999.

The Health Plan of San Joaquin and Head Start Child Development Council, Inc., discretely presented component units, have either a money purchase pension plan, 401(a), or a deferred annuity program on behalf of their employees. The other two discretely presented component units are covered by the County's retirement plan.

The San Joaquin County Employees' Retirement System (Plan)

Plan Description

The following description of the San Joaquin County Employees' Retirement Association (SJCERA) is provided for general information purposes. SJCERA is governed by the Board of Retirement under the 1937 County Employees' Retirement Law (1937 Act). Members should refer to this Law for more complete information.

The SJCERA issues a stand alone financial report and is audited by the San Joaquin County Auditor-Controller's office internal audit division. The report is available by writing to San Joaquin County Employees' Retirement Association, 6 South El Dorado Street, Suite 700, Stockton, CA 95202 or by calling 209-468-2163. The data presented within this footnote is obtained from the financial statements that were audited by and reported on by the County Auditor-Controller on October 31, 2006.

Note 3: **Employee Retirement System** (continued)

The San Joaquin County Employees' Retirement System (Plan) (continued)

General

The Plan is a cost sharing multiple employer defined benefit pension plan (covering certain districts outside the reporting entity). It provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. It also provides post-employment health benefits (sick leave bank benefits) to certain members who meet certain criteria contained in the Memorandum of Understanding between the County and employees' unions. It also provided a supplemental ad hoc benefit to assist retirees in paying their medical expenses. This benefit was eliminated in March 2004.

The Retirement Board maintains its own accounting records and controls its own assets. The Plan's net assets, including the postemployment healthcare program, totaled approximately $3.0 billion at December 31, 2005. The Plan's financial statements are presented on the accrual basis of accounting. The Plan member and employer contributions that should have been made in the calendar year based on the actuarially determined contribution rates are recognized as revenues of that calendar year. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The Plan's investments are reported at fair value. Securities are valued at the last reported market sales price. The commingled funds are valued based on the fair value of the commingled trust's underlying assets. Interest earned by the Commingled Funds on the underlying assets is included in the valuation of the fair value of the underlying assets.

All administrative costs of the Plan are paid from the Plan's investment earnings.

Funding Policy

Pension: Contribution rates for the employers and employees were determined in accordance with actuarially determined contribution requirements by an actuarial valuation performed at December 31, 2003.

Employee contributions are payable over each employee's future working lifetime. The employer rates reflect the entry age normal funding method. Under this method, the normal cost is being paid over the future working lifetimes of the members. The past service liability is amortized over a rolling 10-year period.

In 2005, the employees' contributions were about $10.9 million, an average of 3.7 % of the annual covered salary.

The adopted employers' 2005 contribution rates, based on the actuarial determined requirements applicable to covered payroll were 35.67% for safety members and 18.48% for general members. The employers' actual contributions, including the contributions from the Plan's unapportioned earnings, to the Plan for the years ending December 31, 2005, 2004, and 2003 were $62.5 million, $42.7 million, and $34.8 million, respectively, equal to the required contributions for each year.

The Board of Retirement, as part of the settlement of the class-action lawsuit brought by the San Joaquin County Deputy Sheriff's Association, extended the sick leave bank benefit to cover all eligible employees who were on the August 27, 2001 payroll or who deferred prior to August 27, 2001. The actuarially determined sick leave bank benefit liability for eligible members hired from January 28, 1992 through August 27, 2001 has been fully funded. However, the funding for eligible active members who were hired prior to January 28, 1992 was yet to be funded. Based on the actuary valuation date of December 31, 2005, the unfunded sick leave bank benefit was approximately $17.9 million. The employees are not required to contribute to the plan.

Note 3: **Employee Retirement System** (continued)

Postemployment Health Benefits (continued)

The supplemental ad hoc benefit, which was provided for solely at the discretion of the Board of Retirement on an annual basis through the investment earnings of the pension benefit plan, was phased out entirely on Mareh 31, 2004.

California Public Employees' Retirement System (CalPERS)

General Description

Certain employees of the Health Care Services Department (Public Health) were members of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Effective June 28, 1993, those employees became members of the San Joaquin County Employees' Retirement System through reciprocity.

Defined Contribution Pension Plan for the County Full-Time Physicians in Health Care Services

The County has an agreement with Public Employees Benefit Services Corporation to administer a qualified retirement plan, 401(a), for the County's full-time physicians. Under this plan the County contributes $8,000 annually per qualified physician to the plan. The physicians are also required to contribute a mandatory, tax-deferred match at a rate of 6.0% of their compensation. In FY 2005-06, the County contributed $310,768 to the plan.

Defined Contribution Pension Plan for the Health Plan of San Joaquin and Headstart Child Development Council, Inc.

The Health Plan has a money purchase pension plan, 401(a), for its employees. All full-time, permanent employees are eligible to participate. The Health Plan contributes 5.75% of each partieipant's gross pay to the plan. Employees do not make contributions to the plan. In FY 2005-2006, the Health Plan contributed $319,571 to the pension plan.

The Health Plan approved a defined contribution plan contract between the Health Plan and CalPERS on January 28, 2002. Active CalPERS Plan members are required to contribute 7% of reportable earnings and the Health Plan is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The Health Plan's contribution for the period ended June 30, 2006 was $659,807.

The Headstart Council maintains a deferred annuity program on behalf of its employees. The employees contribute to the plan on a voluntary basis. The Council contributes to the plan for those employees who meet the eligibility requirements set forth in the plan. For the year ended January 31, 2006, the Council contributed $218,628 to the plan.

The Local Agency Formation Commission participates in the County's Pension Plan and it contributed $40,384 to the plan for the period ended June 30, 2006.

Note 4: **Risk Management Programs**

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; natural disasters and employees' health. To effectively manage those risks and control costs, the County established self-insurance programs for casualty (December, 1974), workers compensation (June, 2003), unemployment compensation (January, 1978), medical insurance (June, 1982), and dental insurance (June, 1982). Under these programs, the County provides coverage for up to a $1,000,000 for each general liability

Note 4: **Risk Management Programs** (continued)

and malpractice claim, $50,000 for each property damage claim, $10,000 for each public official performance claim, $50,000 for health insurance coverage and $600 for dental insurance coverage per employee per year. The County also joins together with other counties in the State through the California State Association of Counties (CSAC) to obtain general liability and malpractice insurance coverage for claims in excess of the coverage provided by the County up to $20 million and $5 million, respectively. The County also purchases commercial stop loss insurance for the health and dental insurance coverage in excess of the County covered portion. Settled claims have not exceeded the CSAC coverage or the commercial insurance coverage in any of the past three fiscal years.

The County, prior to FY 2003-04, obtained the workers' compensation insurance through CSAC's Excess Insurance Authority Primary Workers' Compensation program. The program provided for first dollar coverage for the County on a pooled basis with aggregate stop loss coverage in place to provide a unique "guaranteed cost" feature. Effective FY 2003-04, the County reverted back to the self-insurance program and only secured the excess coverage through the Excess Workers' Compensation Program of CSAC's Excess Insurance Authority (EIA).

All funds of the County participate in the programs and make payments to the insurance funds based on the actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses.

Based on the most recent actuarial studies (January of 2006) the full value of the County's unpaid casualty (general liability and malpractice liability) liabilities and the workers compensation program liabilities at June 30, 2006 were estimated at a discounted value of $10.7 million and $21.4 million, respectively, using the discount rate of 3% and 4%, respectively. These actuarially determined liabilities include the unpaid loss adjustment expenses.

In the opinion of management, the total assets in the insurance funds were sufficient to cover the actuarially determined claim liabilities, premium and administration cost as of June 30, 2006.

The insurance funds had the following net assets:

	Net Assets (in $000)
Casualty Insurance	$ 870
Workers' Compensation Insurance	1,821
Medical Insurance	15,447
Dental Insurance	774
Unemployment Insurance	2,057
Total	$ 20,969

Note 4: **Risk Management Programs** (continued)

Changes in the insurance funds' claim liabilities for fiscal years 2004-2005 and 2005-2006 were:

(dollars in thousands)	Casualty	Workers' Compensation	Medical Insurance	Dental Insurance	Unemployment	Total
Balance at June 30, 2004	$ 11,393	$ 7,020	$ 5,270	$ 258	$ 287	$ 24,228
Claims and changes in estimates for FY 2004-2005	4,297	11,737	39,739	4,381	1,485	61,639
Less: claim payments	5,745	2,865	39,660	4,423	1,418	54,111
Balance at June 30, 2005	9,945	15,892	5,349	216	354	31,756
Claims and changes in estimates for FY 2005-2006	5,854	14,458	41,274	4,688	815	67,089
Less: claim payments	5,070	8,924	40,210	4,591	934	59,729
Balance at June 30, 2006	$ 10,729	$ 21,426	$ 6,413	$ 313	$ 235	$ 39,116

Note 5: **Special Districts Governed by the Board of Supervisors**

Special districts governed by the Board of Supervisors include a flood control district, 2 water and power authorities, a water works district, 31 lighting districts, 30 maintenance districts, 37 county service areas and 5 improvement districts as follows:

San Joaquin County Flood Control
Mokelumne River Water and Power Authority
Northeastern San Joaquin County Groundwater Banking Authority
San Joaquin Water Works #2

Lighting Districts	Maintenance Districts	County Service Areas
Linden	Almond Park	Number 1
Lockeford	Colonial Heights	Number 2
Ripon	Gayla Manor	Number 3
Victor	Lincoln Village	Number 4
Woodbridge	Maurland Manor	Number 5
Boggs Tract	Morada Manor	Number 8
Farmington	Rancho San Joaquin	Number 11
Mission Village	Riviera Cliffs	Number 12
Northeast Stockton	Shaded Terrace	Number 14
North Oaks	Wilkinson Manor	Number 15
North Wilson Way	Morada Acres	Number 16
Oro Street	Acampo	Number 17
Plymouth Village	Elkhorn Golf Course Estates	Number 18
Southwest Stockton	Lockeford	Number 21
Stockton No. 5	Pacific Gardens	Number 23
Tuxedo – Country Club	Mokelumne Acres	Number 24
West Lane	Spring Creek Estates	Number 25

Note 5: **Special Districts Governed by the Board of Supervisors** (continued)

Lighting Districts	Maintenance Districts	County Service Areas
Ash Street	Sunnyside	Number 29
Elkhorn	Raymus Village	Number 30
Shippee – French Camp Homesite	Bowling Green Estates	Number 31
Rancho Village	Ashley Drainage	Number 35
Morada Estates	Morada Estates	Number 36
Burkett Gardens	Summer Home Estates	Number 37
Burkett Garden Acres	Lathrop Acres	Number 41
Mariposa Heights	Country Estates	Number 42
South French Camp	Country Club Vista	Number 43
Silva Gardens	Corral Hollow	Number 44
Morada Manor	Lambert Village	Number 45
Eastview	Bear Creek Terrace	Number 46
Shasta Avenue	Walnut Acres	Number 47
West Stockton		Number 48
		Number 49
		Number 50
		Number 51
		Number 53
		Number 54
		Mountain House*

Improvement Districts

San Joaquin Improvement #47	San Joaquin Improvement #54
San Joaquin Improvement #51	Industrial Way & Beckman Road
San Joaquin Improvement #52	

Each district was created to provide services to the residents of certain areas or to undertake a capital improvement project, including the providing or arranging of financing and collecting the assessments to pay any debt incurred to finance the project.

*The Mountain House Community Services District (CSD) was formed in July 1996 as a dependent special district of the County. It provides a wide range of municipal services, such as police and fire protection, water, wastewater and storm services, the construction and maintenance of highways, streets, and other infrastructure, and recreational and cultural activities, as well as services to the developers.

The accounting principles established for reporting transactions of special districts are as follows:

(1) Governmental Accounting Standards Board (GASB) Statement No. 6 requires transactions of service-type special districts and of the construction phase related to capital improvements financed by special assessment to be reported within the general, special revenue or capital projects funds, as appropriate. Revenues and expenditures are recognized on the same basis of accounting as described in Note 1-C. Any fixed assets constructed or acquired, other than infrastructure, are reported in the general fixed assets account group on the same accounting principles as described in Note 1.

Note 5: **Special Districts Governed by the Board of Supervisors** (continued)

(2) With the exception of Shaded Terrace Maintenance District, Sunnyside Estate Maintenance District, and Mountain House Community Services District, all special assessment debts were incurred under the provisions of the Improvement Bond Acts of 1911 and 1915, under which the County is not obligated in any manner for special assessment debts; the County acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings as appropriate. Transactions affecting debt service are reported in the agency fund and the outstanding assessment debt approximating $440,000 as of June 30, 2006 is not presented in the financial statements. The maintenance districts of Shaded Terrace and Sunnyside Estate obtained, each, a loan from the United State Department of Agriculture to finance certain capital improvements to their water systems. As required by the loan agreement, the Districts established a debt service fund to accumulate funds for loan repayment purposes. These loans are reported in the County's Statement of Net Assets and the related debt service is also included in the Debt Service Fund. The Mountain House Community Services District accepted in 2005-06 a number of infrastructure facilities through Master Acquisition and Reimbursement Agreements. The total reimbursement amounts were recorded as long-term notes either in the business-like funds or the governmental funds, as applicable.

Note 6: **Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

(in thousands)

	Balance June 30, 2005	Additions	Retirement	Transfers & Adjustments	Balance June 30, 2006
Government Activities					
Capital assets, not being depreciated					
Land	$ 11,612	$ 4,177	$ --	$ --	$ 15,789
Construction in progress	11	1,162	--	(11)	1,162
Total capital assets, not being depreciated	11,623	5,339	--	(11)	16,951
Capital assets, being depreciated					
Structure and improvements	272,172	2,429	--	(3,438)	271,163
Furniture and equipment	55,241	6,026	(5,991)	4,366	59,642
Capitalized leases	6,153	1,405	(2,873)	--	4,685
Other capitalized assets	19,224	--	(10,482)	--	8,742
Infrastructure	280,077	194,218	--	(65,711)	408,584
Total capital assets, being depreciated	632,867	204,078	(19,346)	(64,783)	752,816
Less accumulated depreciation for:					
Structure and improvements	94,891	6,264	--	(857)	100,298
Furniture and equipment	34,201	7,088	(5,778)	2,032	37,543
Capitalized leases	4,778	952	(2,873)	--	2,857
Other capitalized assets	13,390	1,463	(10,482)	--	4,371
Infrastructure	72,656	13,905	--	(3,763)	82,798
Total depreciation	219,916	29,672	(19,133)	(2,588)	227,867
Total capital assets, being depreciated, net	412,951	174,406	(213)	(62,195)	524,949
Government activities capital assets, net	$ 424,574	$179,745	$ (213)	$ (62,206)	$ 541,900

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

(in thousands)

	Balance June 30, 2005	Additions	Retirement	Adjustments	Balance June 30, 2006
Business-type Activities					
Capital assets, not being depreciated					
Land	$ 4,663	$ –	$ --	$ –	$ 4,663
Construction in progress	9,586	6,093	(65)	(188)	15,426
Total capital assets, not being depreciated	14,249	6,093	(65)	(188)	20,089
Capital assets, being depreciated					
Structure and improvements	159,763	8,855	–	27,088	195,706
Furniture and equipment	72,087	2,214	(19,133)	(26,900)	28,268
Infrastructure	–	118,777	–	65,720	184,497
Total capital assets, being depreciated	231,850	129,846	(19,133)	65,908	408,471
Less accumulated depreciation for:					
Structure and improvements	66,709	7,831	--	17,617	92,157
Furniture and equipment	53,435	3,677	(19,719)	(17,616)	19,777
Infrastructure	–	7,042	–	3,763	10,805
Total depreciation	120,144	18,550	(19,719)	3,764	122,739
Total capital assets, being depreciated, net	111,706	111,296	586	62,144	285,732
Business-type activities capital assets, net	$ 125,955	$117,389	$ 521	$ 61,956	$ 305,821

Note: The infrastructure adjustment represents mainly the transfer of assets classified previously as Governmental to Enterprise (Mountain House Service District Utility Enterprise).

Of the above property of the Enterprise Funds, a total of $3.4 million represents the net investment property of the Airport Enterprise Fund on operating leases. Those properties held for lease as of June 30, 2006 are presented below:

	Amount ($000)
Land	$ 1,176
Building	1,794
Equipment	26
Total	$ 2,996

Construction in progress in the business-type activities represents ongoing work at the Hospital Phase 2 Expansion and a clinic facility, and Airport projects. Construction in progress in the governmental activities represents ongoing work in the community centers, the agriculture center, and the county administration building.

The discretely presented component units' fixed assets including building structure, furniture and equipment with a net book value of $10.9 million.

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

Depreciation expense was charged to governmental functions as follows:

	Amount ($000)
General government	$ 1,781
Public protection	4,922
Public ways and facilities	15,058
Health and sanitation	960
Social services	1,743
Education	54
Culture and recreation	843
Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their usage of the assets	3,062
	$ 28,423

Depreciation expense was charged to business-type functions as follows:

	Amount ($000's)
Airport enterprise	$ 1,437
Solid Waste enterprise	3,709
General Hospital enterprise	6,360
Mountain House Community Service District-Utility	7,043
Total depreciation expense – business-type functions	$ 18,549

Included in the capital assets of the Government Activities type is a group of electronic voting machines of $6.1 million acquired in fiscal year 2003-04. The State Secretary has certified the use of the electronic voting machines since the March 2006's election.

Note 7: **Guaranteed Fixed Rate Telephone Service Cost**

The County entered an agreement in 1995 with SBC whereby SBC provides enhanced telecommunication services and installed and maintained network systems to various county locations at fixed rates and charges per line as set forth in the agreement. The County was required to prepay, upon connection, those minimum services to be performed for the next ten years from the original contract date. This prepaid service fee was recorded in the Telephone Internal Service Fund as other capital assets and amortized over the term specified in the agreement. The agreement expired in FY 2004-05. At June 30, 2006, this prepaid service cost had been fully amortized. Amortization expense recorded for the year ended June 30, 2006 was $214,373.

Note 8: **Deferred Compensation**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees and certain contractors, permits them to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

Note 8: **Deferred Compensation** (continued)

The County has little administrative involvement and does not perform the investing function for the plan. The plan assets are, therefore, not reported on the financial statements of the County.

Note 9: **Commitments and Contingencies**

Pending Litigations

The County is a defendant in various casualty and workers compensation lawsuits. Based on the most recent actuary report issued in January 2006, the County's actuarially determined ultimate loss liability of these lawsuits under the casualty insurance and workers compensation programs were approximately \$10.7 million and \$21.4 million, respectively. The assets of these two insurance funds totaling \$39.4 million were sufficient to cover these actuarially determined losses as of June 30, 2006 (See Note 4).

San Joaquin County Employees' Retirement

In 1998, the San Joaquin County Deputy Sheriffs' Association filed with the San Joaquin Superior Court a lawsuit against the County. The case arises out of a decision by the California Supreme Court entitled "Ventura County Deputy Sheriff's Association v. Board of Retirement of Ventura County Employee's Retirement Association" pertaining to the calculation of final compensation for retirement benefits. The petition for Coordination of Statewide Litigation was filed in July 1998, granted in December 1998, and assigned to the San Francisco Superior Court. The County and the County's Retirement System agreed, in July 2001, to settle the lawsuit, with the Superior Court's approval. Based on the agreement, the County's Retirement System will be responsible for the increased benefits. It is estimated that the cost is about \$134 million.

Grants

The County recognizes as revenue, grant monies received and available within 60 days as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Medicare and Medi-Cal Programs

Under the Medicare and Medi-Cal programs, final settlement for cost reports filed by the San Joaquin General Hospital enterprise fund (Hospital) is dependent upon a review by the Medicare fiscal intermediary. Preliminary estimates of the amounts to be received from third parties are included in the current year's financial statements.

Final determination of amounts due for services to program patients is made when the cost reports are settled with the respective administrative agencies, and any adjustments are made in the period such amounts are finally determined. Medicare cost reports have been audited through June 30, 2004. Medi-Cal cost reports have been audited through June 30, 2004. The total estimated cost report settlements, as of June 30, 2006 was \$3.4 million.

Note 9: **Commitments and Contingencies** (continued)

Long-Term Operating Lease Agreements

The County has several long-term operating lease agreements, with original terms ranging from one to ten years, for leased office space for County departments. There are no material restrictions imposed by these agreements. The discretely presented components also have non-cancelable lease agreements. The minimum rental payments required under the operating lease commitments at June 30, 2006 are:

Year Ended June 30,	Primary Government (000's)	Discretely Presented Component Units (000's)
2007	$ 2,067	$ 868
2008	1,678	328
2009	1,679	235
2010	1,430	101
2011	1,330	102
2012-2016	1,685	--
	$ 9,869	$ 1,634

Total rent expense under operating lease agreements during the year ended June 30, 2006 was approximately $3.2 million and $1.5 million for the primary government and the discretely presented component units, respectively.

The County also has outstanding construction project commitments of approximately $1.7 million as of June 30, 2006. These commitments involve the outstanding Hospital Phase II Expansion projects, Hospital Clinic Facility project, Agriculture Center, and storm drainage project.

A new lease agreement was entered in October 2003 for the County to lease an office building that was under construction by a property developer. The agreement would allow the County to occupy the office building for a minimum of 15 years after the completion of the construction with scheduled rent increases. The County moved into this new building in September 2005 with an initial monthly rent payment of approximately $52,016.

Note 10: **Rental Income Under Operating Leases**

The following is a schedule by years of minimum future rental income on noncancellable operating leases as of June 30, 2006. These operating leases, for various real property, contain no material restrictions. All are to be paid to the Airport Enterprise Fund.

Year Ended June 30,	Amount ($000's)
2007	$ 800
2008	706
2009	659
2010	585
2011	521
Thereafter	14,301
	$ 17,572

Note 10: **Rental Income Under Operating Leases** (continued)

Total rental income under operating lease agreements during the year ended June 30, 2006 is approximately $780,220.

Note 11: **Long-Term Debt**

The following is a schedule of long-term liabilities as of June 30, 2006:

Governmental Activities:

	Amount (in $000's)				
	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006	Amounts Due Within One Year
Teeter note	$ 10,000	$ 23,000	$ --	$ 33,000	$ 33,000
Capital leases	71	184	108	147	52
Capital leases - ISF	673	1,185	426	1,432	322
Notes payable	2,929	117,395	273	120,051	286
Notes payable - ISF	2,000	--	46	1,954	48
Compensated absences	22,830	28,519	22,830	28,519	23,378
Compensated absences - ISF	209	240	209	240	213
Certificate of participation	52,465	--	5,105	47,360	5,385
Discount/gain on advance refunding (net)	(5,029)	--	(698)	(4,331)	--
Estimated claims	31,756	7,360	--	39,116	--
	$ 117,904	$ 177,883	$ 28,299	$ 267,488	$ 62,684

Estimated claims are liquidated by the internal service funds. Compensated absences are generally liquidated by the General Fund and related special revenue funds.

Business-Type Activities:

	Amount (in 000's)				
	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006	Amounts Due Within One Year
Capital lease	$ 233	$ --	$ 81	$ 152	$ 85
Notes payable	90	118,777	3	118,864	3
Landfill closure and postclosure	10,022	--	1,336	8,686	--
Compensated absences	4,802	5,211	4,756	5,257	4,756
Certificates of participation	121,570	--	5,535	116,035	6,080
Discount/gain on advance refunding (net)	(7,316)	--	(520)	(6,796)	--
	$ 129,401	$ 123,988	$ 11,191	$ 242,198	$ 10,924

Note 11: **Long-Term Debt** (continued)

A. **Capital Leases**

The County has entered into long-term capital leases agreements under which the related equipment will become the property of the County when all terms of the lease agreements are met. Equipment under capital lease includes the following:

	Governmental Activities	Business-Type Activities
Equipment	$ 6,153,316	$ 405,147
Less: accumulated depreciation	4,777,710	283,603
Net Value	$ 1,375,606	$ 121,544

The related amortization on the capital leases is as follows:

Year Ending June 30:	Governmental Activities	Business-Type Activities
2006-07	$ 463,477	$ 90,372
2007-08	392,053	67,777
2008-09	349,460	--
2009-10	208,576	--
2010-11	145,860	--
2011-16	255,255	--
Total requirements	1,814,681	158,149
Less interest	235,805	6,512
Present value of remaining payments	$ 1,578,876	$ 151,637

B. **Certificates of Participation and Notes Payable**

Certificates of Participation

As of June 30, 2006 three long-term lease-trust agreements, with remaining terms of 8 to 16 years, evidenced by Certificates of Participation (COP) were outstanding. These COPs were issued by the San Joaquin County Public Facilities Financing Corporation (the Corporation) during the past six fiscal years for the purposes of financing of the County's various projects:

Project Name	Issuance Date	Face Value of the C.O.P.
1993 Capital Facilities Project	October 1, 1993	$ 110,740,000
Solid Waste System Facilities Project (Including refunding)	May 8, 2003	36,830,000
2000 San Joaquin General Hospital Refunding	May 1, 2000	108,420,000
Total		$ 255,990,000

Note 11: **Long-Term Debt** (continued)

B. **Certificates of Participation and Notes Payable** (continued)

Certificates of Participation (continued)

According to the official statements of the Certificates of Participation, all proceeds from the issuance are held and maintained by a Trustee Bank (Trustee) for the County Treasury. The Trustee invests the proceeds in demand or time deposits of any bank authorized to accept deposits of public funds, and/or in permitted investments as authorized by the County. Interest or profits on such investments received by the Trustee are, prior to the completion of the acquisition, construction and installation of the project, deposited in the Project Fund and thereafter are deposited in the Interest Fund. Costs of the acquisition and construction of the project are paid by the Trustee from the Project Fund, upon the County's authorization. Once the project is completed, the remaining funds in the Acquisition and Construction Fund, if any, are transferred to the County's proper funds or to the debt service funds.

The 2003 Solid Waste System Facilities Projects COPs are recorded in the Solid Waste enterprise fund. The COPs were issued on May 8, 2003 with an average interest rate of 6.5% to advance refund the outstanding Certificates of Participation issued in 1994, current refund the outstanding Certificates of Participation issued in 1991, and provide approximately $17 million to fund various Solid Waste System Facilities projects. These Certificates are repaid from the net revenues of the County's solid waste system operations in accordance with the COP agreements. The improvement of real property is recognized as the Enterprise Fund's capital improvements.

The 1991 Certificates were paid off in May 2003, and the 1994 Certificates were paid off in April 2004. The deferred amount on this refunding (the difference between the net carrying amount of old debt and the amount of funds required to redeem the old debts or to be deposited in escrow fund to refund old debts at the time of refunding) is amortized over the life of the original debt, which is shorter than the new debt.

The 2000 San Joaquin General Hospital Expansion Project Refunding COPs are recorded in the San Joaquin General Hospital enterprise fund. The COPs were issued on May 1, 2000 with an average interest rate of 4.9% to advance refund the then outstanding Certificates of Participation issued for the 1993 San Joaquin General Hospital Expansion Project with an average interest rate of 6.48%. The refunded COPs were paid off in September 2003.

The 1993 Capital Facilities Project COPs are recorded as the liabilities of the Governmental Activities on the Statement of Net Assets. The debt services transactions and fund balance of the remaining proceeds are recorded in the County's Debt Service Fund. The related building structures and improvements are also recorded in the Governmental Activities on the Statement of Net Assets.

The 1993 COPs were issued on October 1, 1993 with an average interest rate from 3.86% to 5.16% to advance refund the then outstanding Certificates of Participation with an average interest rate of 6.07% to 7.18%. The then outstanding COPs included the 1989 Human Services Facilities Project COPs, the 1989 Jail and Sheriff's Operating Center Project, and the 1991 Public Facilities Project. The proceeds from the new issuance were deposited in an irrevocable trust with an escrow agent to provide for all future debt services payments on the refunded COPs. As a result, these COPs are considered to be defeased and the liability for those debts have been removed from the financial statements. The refunded COPs were paid off in November 2004.

Note 11: **Long-Term Debt** (continued)

B. **Certificates of Participation and Notes Payable** (continued)

Certificates of Participation (continued)

Repayments made by the County to the Trustee Bank are held in trust by the Trustee Bank in the Interest Fund or the Base Rental Fund for the benefit of the County, but are irrevocably pledged to the trustee for the benefit of the owners of Certificate of Participation. The funds are used for the payment of interest and principal evidenced by the certificates.

Notes Payable

In November 2002 the County signed a fixed-price agreement of $5.7 million to purchase an electronic voting system. To finance the purchase and additional related project costs, the County signed a loan agreement with a financial institution in an amount of $3.2 million. The remaining project cost is to be funded by the State, pursuant to the 2002 California Voting Modernization Act (Proposition 41). In addition, the Federal government may also provide additional funding pursuant to Federal Bill House Resolution 3295. The purchase and loan agreements were finalized on July 1, 2003. The electronic voting machines were delivered on July 1, 2003 and the loan carries a term of 10 years with an interest rate of 4.73%. At June 30, 2006 the loan carried a balance of $2.3 million. In addition, the State Secretary did not certify the usage of the machines until March 2006's election. As a result, an additional amount of $5.2 million as of June 30, 2006 will be paid to the vendor in FY 2006-07; this unpaid amount was reported as other liability on the financial statements.

The County Maintenance Districts of Shaded Terrace and Sunnyside Estates (Special Revenue Funds) had entered into agreements with the United States Department of Agriculture (USDA) for a loan of $300,000 and $100,000, respectively, in 2000-2001. The loans, along with the grants received from USDA, are used to finance certain capital improvements to the water system of the Districts. As of June 30, 2006 the outstanding loan was $377,700.

In FY 2004-05, the County settled a lawsuit that was filed by H.D. Arnaiz, LTD, a California limited partnership (HDAL). This lawsuit involved the HDAL's rights to lease certain real property around the Airport area. The settlement requires the County to make an annual payment of $132,115.35 between August 2005 to August 2029 (Promissory Note). In addition, the County is to make an annual property tax-based payment between September 2005 and September 2029 (Tax-based agreement). The tax-based payment is to be calculated each year and to be paid only if a certain threshold is met. The sum total of the payments under the promissory note payment and the tax-based agreement, in the aggregate is not to exceed $4.0 million prior to 2029. The County reports it as a note liability ($2.0 million) of the Casualty Insurance Fund, an internal service fund, at the present value of the minimum payments. As of June 30, 2006, the outstanding note was $1.9 million.

The Airport (Enterprise Fund) has the remaining life of a 13-year note with a third party which financed the 1993-94 purchase of a paint shop. The note had a fixed interest rate of 12%. It carried a balance of $87,169 as of June 30, 2006.

In 2005-06, the Mountain House Community Services District (CSD) acquired various infrastructure facilities from the district developer. The water, wastewater, and storm infrastructure facilities are reported in the CSD's Utility Enterprise Funds, the public infrastructures are reported in the CSD's operating funds (governmental activities). In accordance with the Master Acquisition and Reimbursement Agreement of August 22, 2000, the CSD is obligated to reimburse some of the accepted infrastructure. The agreed amounts that are subject to

Note 11: **Long-Term Debt** (continued)

B. **Certificates of Participation and Notes Payable** (continued)

Notes Payable (continued)

reimbursements are, therefore, reported as note liabilities in the business-like activities and the governmental activities, as applicable. The outstanding reimbursement amounts are $117.4 million and $118.0 million, respectively, for the governmental activities and the business-like activities. CSD has agreed that once the community has revenues that will support the repayment, the CSD must issue bonds in ten million dollar increments payable to the developer.

Teeter Plan Borrowing

Pursuant to Revenue and Taxation Code Section 4701, the County has opted into the "Alternative Method of Property Tax Distribution" method since fiscal year 1993-94. This method is known as the "Teeter Plan". Under the Teeter Plan, the County and all other taxing agencies received 100% of the current secured tax levy and direct assessments. In 1993-94, all taxing agencies received their share of 95% of all outstanding delinquent taxes and 100% of delinquent assessments. Additionally, Senate Bill 742 (1993) allowed counties converting to the Teeter Plan a one-time property shift reduction for the excess property tax revenues that schools received in 1993-94 due to the conversion.

In order to convert to the Teeter Plan, the County had to buy out the existing delinquent property taxes, which was approximately $41.0 million as of June 30, 2006. The County has been choosing the interfund borrowing method to partially finance the buy-out every year since 1993-94.

The County utilizes the delinquent tax penalty collections in 2005-06, and extra amount set aside in the loss reserve fund, and the interfund borrowing of $33 million to finance the buy-out and the cumulative interest cost on the borrowing.

The interfund borrowing of $33.0 million is collateralized with the uncollected taxes and is recorded in the General Fund. The interfund borrowing note, dated June 27, 2006, is to be repaid in full by July 1, 2007. However, the intention of the borrowing is to refinance the Note every year until such time that the collection of delinquent taxes is sufficient to repay the note. The interest expense of the Teeter-Plan borrowing is computed based on the County Treasury's investment rate and was reported within the County General Fund. In 2005-06, the County recognized $425,621 interest expense on the loan.

The County is required by law to maintain a Loss Reserve Fund (classified as the General Fund's restricted net assets) in an amount equivalent to 1% of the total tax roll for that year. At June 30, 2006, the County set aside 2.5%, instead of 1%. The reserve fund balance was $17.95 million.

Note 11: **Long-Term Debt** (continued)

B. **Certificates of Participation and Notes Payable** (continued)

Schedule of Future Payments

The following is a schedule of the future long-term debts payments as of June 30, 2006:

Governmental Activities:

Year Ended June 30	Certificates of Participation Principal ($000's)	Certificates of Participation Interest ($000's)	Notes Payable Principal ($000's)	Notes Payable Interest ($000's)
2006-07	$ 5,385	$ 2,200	$ 334	$ 211
2007-08	5,685	1,937	349	195
2008-09	5,995	1,654	366	178
2009-10	2,075	1,455	384	161
2010-11	2,220	1,348	401	143
2011-16	13,635	4,728	1,081	475
2016-21	12,365	1,086	437	339
2021-26	--	--	542	230
2026-31	--	--	537	106
2031-36	--	--	79	41
2036-41	--	--	99	16
Non-specified	--	--	117,395	--
	47,360	14,408	122,004	2,095
Less discount on advance refunding	(4,331)	--	--	--
Total Debt	$ 43,029	$ 14,408	$ 122,004	$ 2,095

Business-Type Activities:

Year Ended June 30	Certificates of Participation Principal ($000's)	Certificates of Participation Interest ($000's)	Notes Payable Principal ($000's)	Notes Payable Interest ($000's)
2006-07	$ 6,080	$ 5,483	$ 3	$ 10
2007-08	6,695	5,250	4	10
2008-09	7,385	4,968	4	9
2009-10	7,710	4,637	5	9
2010-11	7,465	4,270	5	8
2011-16	36,510	15,892	39	29
2016-21	42,240	6,022	27	3
2021-26	1,950	98	--	--
Non-specified	--	--	118,777	--
	116,035	46,620	118,864	78
Less discount on advance refunding	(6,796)	--	--	--
Total Debt	$ 109,239	$ 46,620	$ 118,864	$ 78

Note 12: **Legal Debt Margin**

Government Code Section 25371 limits the County's ability to raise resources through the issuance of debt to finance acquisitions or construction of County facilities. The computation of the debt limitation and legal debt margin is presented below:

Net assessed value fiscal year 2005-2006	$ 46,153,600,000
Debt limit – 1 1/4% of total assessed value	$ 576,920,000
Amount of debt applicable to debt limit:	
Less 60% of estimated total outstanding rental payments, including interest and principal per Government Code Section 25371	29,700,000
Legal debt margin	$ 547,200,000

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings and at June 30, 2006 and does not expect to incur a significant liability.

Special Assessment Debt

Special assessment district transactions are recorded in the Agency Fund as the County acts as an agent for the property owners in collecting assessments bonds and forwarding the collections to the bondholders. However, the County is not obligated in any manner for repayment of these special assessments. As of June 30, 2006, such special assessment debt outstanding totaled about $440,000.

Note 13: **Landfill Closure and Postclosure Liability**

State and federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, GASB 18 requires a portion of these closure and postclosure care costs to be recognized as an operating expense in each period of operation, based on landfill capacity used. The County is also required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care.

The County uses the Solid Waste Closure Fund, reported within the Solid Waste Enterprise Fund, to account for the contributions, as well as the landfill closure and postclosure costs.

The annual contributions to the Solid Waste Closure Fund (Closure Fund) by the Solid Waste Enterprise Fund (Operating Enterprise Fund) are eliminated on the financial statements.

Note 13: **Landfill Closure and Postclosure Liability** (continued)

At June 30, 2006, the landfill closure and postclosure care liability ($8.7 million) represents the cumulative amount reported to date based on the cumulative usage of the landfills' capacity, minus the cash payments made. The remaining estimated cost of closure and postclosure care of $72.8 million will be recognized as the remaining estimated capacities are filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Solid Waste Enterprise operating fund transferred $393,175 to the Closure Fund in 2005-06 to bring the funds available for landfill closure and postclosure up to $5.5 million, which leaves approximately $3.2 million to be funded in future years.

Two of the County's four landfills have been closed. The remaining two landfills will be operative until year 2033 and 2049, respectively, with an estimated 16.4% and 5.2% of the available landfill capacity used to date.

Note 14: **Receivables**

Taxes and accounts receivable balances of the County's major individual funds and nonmajor and internal service funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

Receivables - Governmental Activities	General Fund	Mental Health Substance Abuse Fund	First Five Program	Nonmajor Fund	Internal Service Funds	Total Governmental Activities
Taxes - gross	$ 63,301	$ --	$ --	$ 364	$ --	$ 63,665
Accounts	3,272	1,772	3	4,354	1,124	10,525
Sales tax	2,555	--	--	--	--	2,555
Interest	2,089	19	379	1,853	970	5,310
Loan receivable	106	--	--	--	--	106
Due from other governments	77,330	4,992	1,620	9,246	--	93,188
Total receivables	148,653	6,783	2,002	15,817	2,094	175,349
Less: allowance for uncollectible	(17,950)	--	--	--	--	(17,950)
	$ 130,703	$ 6,783	$ 2,002	$ 15,817	$ 2,094	$ 157,399

Receivables - Business-type Activities	Hospital	Airport	Solid Waste	Mountain House Utility Enterprise	Total Business-type Activities
Accounts	$ 70,332	$ 146	$ 1,463	$ --	$ 71,941
Interest	43	16	257	9	325
Due from other governments	--	7	25	--	32
Gross receivables	70,375	169	1,745	9	72,298
Less: allowance for uncollectible	(42,880)	(76)	--	--	(42,956)
	$ 27,495	$ 93	$ 1,745	$ 9	$ 29,342

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Note 14: **Receivables** (continued)

At June 30, 2006, the various components of deferred revenue and unearned revenue reported were as follows:

	Amount (in 000's)	
Governmental Aetivities:	Unavailable	Unearned
General fund:		
Property taxes receivable – secured	$ 42,513	$ --
Property taxes receivable – unsecured	2,786	--
Due from other governmental agencies	9,535	--
Grant received prior to meeting all eligible requirements	--	23,159
Due from others	14	--
Mental Health and Substance Abuse fund:	--	--
Due from other governmental agencies	3307	--
Grant received prior to meeting all eligible requirements	--	--
Nonmajor funds and Internal Service funds:	--	--
Due from other governmental agencies	607	--
Grant received prior to meeting all eligible requirements	--	134
Due from other governmental agencies	--	--
Property taxes receivable – unsecured	365	--
	$ 59,127	$ 23,293

Business-Type Activities:	Unavailable	Unearned
Hospital	$ --	$ 2,371
Airport	--	1,227
	$ --	$ 3,598

Note 15: **Interfund Transactions and Balances**

Due to and due from other funds

Due to and due from other funds represents short-term borrowing between funds and regular services and supplies provided but not settled at year-end. The composition of interfund balances as of June 30, 2006 is as follows:

Receivable Fund	Payable Fund	
General Fund	Hospital	$ 908,252
	Airport	809
	Solid Waste	14,497
	Internal Service	14,329
	General Fund	98,047
	Mental Health	218,287
	First 5 Program	84,819
	Nonmajor Funds	230,473
		1,569,513
Mental Health	General Fund	50,011
		50,011
Nonmajor Funds	Hospital	2,374
	Internal Service Funds	649,415
	General Fund	3,976
	Mental Health	90
	Nonmajor Funds	166,199
		822,054
	Governmental Funds	2,441,578
Internal Service Funds	Hospital	98,319
	Airport	5,552
	Solid Waste	22,682
	Internal Service Funds	92,150
	General Fund	1,163,902
	Mental Health	101,523
	First 5 Program	1,199
	Nonmajor funds	359,382
	Internal Service Funds	1,844,709

Note 15: **Interfund Transactions and Balances** (continued)

Due to and due from other funds (continued)

Receivable Fund	Payable Fund		
Hospital	General Fund	$	210,758
	Mental Health		313,239
	First 5 Program		141,541
	Airport		64,015
			729,553
Solid Waste	Nonmajor Funds		7,931
			7,931
Total	**Enterprise Funds**		737,484
		$	5,023,771

Advances to/from other funds

Receivable Fund	Payable Fund		Amount
General Fund	Nonmajor Fund	$	66,000
Nonmajor Fund	Internal Service Fund		426,426
Hospital	General Fund		2,391,410
	Airport		3,133,404
	Total	$	6,017,240

Note 15: **Interfund Transactions and Balances** (continued)

Of the balance of $2.0 million due to business-type funds, $1.1 million represents receivables from enterprise funds for services provided, $0.7 million payable to the enterprise funds for services received, and a $2.4 million loan payable to the Hospital Enterprise Fund for the Juvenile Hall expansion project. The loan carries a remaining term of 18-years at an interest rate of 7.55%.

Fund Transfers

During the course of normal operations, the County has numerous transactions between funds as a result of labor negotiations, new funding resources, new projects, debt service payments, etc. Those transfer transactions are summarized below:

(a) Between Governmental and Business-Type Activities:

Transfer from	Transfer to	Amount (in $000)	Purpose
General Fund	Hospital	$ 20,240	Provide subsidy to cover portion of Hospital's operation.
	Airport	427	Provide subsidy to cover portion of Airport's operation.
	Subtotal	20,667	
Nonmajor Fund (Capital Outlay)	Hospital	13,798	Provide subsidy to cover portion of Hospital's capital projects.
	Mountain House Utility Svs	493	Provides funds for newly created enterprise fund
	Airport	244	Provide subsidy to cover portion of Airport's capital projects.
		14,535	
Hospital	Internal Service Funds	24	Provide capital to internal service fund for purchases of capital assets.
Solid Waste	Internal Service Funds	2	Provide capital to internal service fund for purchases of capital assets.
		26	
Net transfers between Governmental and Business-Type Activities		$ 35,228	

Note 15: **Interfund Transactions and Balances** (continued)

Fund Transfers (continued)

(b) Between Funds within the Governmental Activities

Transfer from	Transfer to	Amount (in $000)	Purpose
General Fund	Internal Service Funds	$ 411	Provide capital to internal service fund for purchases of capital assets.
	Nonmajor Governmental Funds	4,593	Provide subsidy to Rabies Control, Road Fund, Library Fund, and other grant funds.
	Nonmajor Governmental Funds	7,034	Transfer funds to cover debt service payments.
	Nonmajor Governmental Funds	20,673	Transfer funds to pay for capital outlay.
	Mental Health and Substance Abuse	10,225	Provide subsidy for operation.
	Subtotal	42,936	
Mental Health and Substance Abuse	Nonmajor Governmental Funds	274	Transfer funds to pay for capital outlay.
	General Fund	1,194	Transfer funds for specified programs
	Internal Service Funds	16	Provide internal service funds additional funding for equipment replacement.
	Subtotal	1,484	
First Five	General Fund	83	Transfer funds to pay for general services.
	Subtotal	83	

Note 15: **Interfund Transactions and Balances** (continued)

Fund Transfers (continued)

(b) Between Funds within the Governmental Activities (continued)

Transfer from	Transfer to	Amount (in $000)	Purpose
Nonmajor Governmental Funds	Internal Service Funds	$ 39	Provide internal service funds additional funding for equipment replacement.
	General Fund	2,148	Transfer funds to pay for GF operations.
	Nonmajor Fund	528	Transfer funds to pay for other Special Revenue Funds operations.
	Nonmajor Fund	179	Transfer funds to pay for capital outlay
	Subtotal	2,894	
Internal Service Funds	Internal Service Funds	3	Transfer funds to pay for capital outlay
	Subtotal	3	
	Total	$ 47,400	

Note 16: **Net Assets for Business-Type Activities**

Individual Net Assets balances at June 30, 2006 are as follows:

	Amount (in $000)
Solid Waste Enterprise	
Net Assets	
Invested in capital assets, net of depreciation	$ 1,846
Restricted:	
Capital projects	7,749
Debt services	1,379
Subtotal	9,128
Unrestricted	(3,287)
Total	7,687
Airport Enterprise	
Net Assets	
Invested in capital assets, net of depreciation	12,906
Unrestricted	1,078
Total	13,984
Hospital Enterprise	
Net Assets	
Invested in capital assets, net of depreciation	16,643
Restricted:	
Debt services	8,159
Patient trust fund	38
Unrestricted	33,939
Total	58,779
Mountain House Utility Enterprise	
Net Assets	
Invested in capital assets, net of depreciation	54,913
Unrestricted:	569
Total	55,482
Total Net Assets for Business-Type Activities	$ 135,932

Note 17: **Net Assets/Fund Balances**

The governmental-wide and business-type activities 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 – this category 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.

Note 17: **Net Assets/Fund Balances**

- Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2006, reservations of fund balances are described below:

- Encumbrances – to reflect the outstanding contractual obligations for goods and services that have not been received.

- Inventories – to reflect the portion of assets that do not represent available spendable resources.

- Debt services – to reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.

- Interfund advances – to reflect the amount due from other funds that are long-term in nature, such amounts do not represent available spendable resources.

- Others – to reflect the loan receivables and other assets that do not represent available spendable resources.

Portion of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. Fund balance designations include:

- Health and Social Services programs – to reflect management's intent to expend the funds to meet the immediate needs in the following year for the County's health and social services programs.

- Public Safety programs – to reflect management's intent to expend the funds to support the County's public safety needs.

- Parks and Recreation programs – to reflect management's intent to expend certain funds for planned capital projects.

- Self-Insurance Programs – to meet the federal and state governments' requirements for being self-insured for general liability, workers compensation, health and dental, and unemployment programs.

Note 18: **Deficit Fund Balance/Net Assets**

The following funds had deficit fund balauces at June 30, 2006:

Mental Health Substance Abuse (Major Special Revenue Fund) The deficit resulted from the delay in obtaining Federal and State reimbursements for costs incurred.	$	1,210,243
In-Home Support Services (IHSS) Authority (Nonmajor Special Revenue Fund) The deficit resulted from the delay in obtaining Federal and State reimbursements for costs incurred.		492,093
Water and Power Authority (Nonmajor Special Revenue Fund) The deficit resulted from the excess expenditures over revenues		10,694
	$	1,713,030

Deficits in these funds are expected to be eliminated in future years through future revenues and/or transfers from other funds.

COUNTY OF SAN JOAQUIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Note 19: **Component Unit Condensed Financial Information**

Condensed financial data for the four discretely presented major component units is presented below:

Statement of Net Assets

ASSETS	Head Start Child Development Council, Inc.	San Joaquin Economic Development Association	Local Agency Formation Commission	Health Plan of San Joaquin County	Total
Cash & investment – pool	$ 1,640,420	$ --	$ (13,967)	$ 45,536,277	$ 47,162,730
Cash and investments – other	559,166	381,787	--	--	940,953
Due from other governments	--	--	--	1,590,481	1,590,481
Interest receivable	19,024	--	121	508,406	527,551
Receivable	32,347	--	8,785	--	41,132
Depreciable assets	3,991,311	28,789	--	12,506,537	16,526,637
Net of accumulated depreciation	(2,841,965)	(24,348)	--	(2,728,255)	(5,594,568)
Other Assets	509,441	--	--	551,310	1,060,751
Total Assets	$ 3,909,744	$ 386,228	$ (5,061)	$ 57,964,756	$ 62,255,667
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accrued expenses	$ 1,695,978	$ 11,957	$ 14,737	$ 2,187,761	$ 3,910,433
Accrued claims payable	--	--	--	8,909,902	8,909,902
Provider risk sharing payable	--	--	--	2,893,590	2,893,590
Unpaid compensated absences	--	--	23,566	--	23,566
Advance customer deposits	530,256	--	--	--	530,256
Other liabilities	517,523		85,827	830,582	1,433,932
Total Liabilities	2,743,757	11,957	124,130	14,821,835	17,701,679
NET ASSETS					
Investment in general fixed assets	1,149,346	4,441	--	9,778,282	$ 10,932,069
Unrestricted net assets	16,641	369,830	(129,191)	33,364,639	33,621,919
Total Net Assets	1,165,987	374,271	(129,191)	43,142,921	44,553,988
Total Liabilities and Net Assets	$ 3,909,744	$ 386,228	$ (5,061)	$ 57,964,756	$ 62,255,667

Note 19: **Component Unit Condensed Financial Information** (continued)

Statement of Changes in Net Assets

	Head Start Child Development Council, Inc.	San Joaquin Economic Development Association	Local Agency Formation Commission	Health Plan of San Joaquin County	Total
REVENUES					
Program Revenues:					
Operating grants and contributions	$ 28,638,778	$ 165,557	$ 260,967	$ 84,202,719	$ 113,268,021
Charges for services	2,168,145	--	--	1,302,141	3,470,286
Interest income	24,557	1,704	1,564	1,914,433	1,942,258
Miscellaneous	--	103,520	214	--	103,734
Total Revenues	30,831,480	270,781	262,745	87,419,293	118,784,299
EXPENSES					
General	--	--	336,120	--	336,120
Public Assistance	31,077,403	181,483	--	--	31,258,886
Health	--	--	--	85,888,522	85,888,522
Total Expenses	31,077,403	181,483	336,120	85,888,522	117,483,528
Change in net assets	(245,923)	89,298	(73,375)	1,530,771	1,300,771
Net assets, beginning	1,411,910	284,973	(55,816)	41,612,150	43,253,217
Net assets, ending	$ 1,165,987	$ 374,271	$ (129,191)	$ 43,142,921	44,553,988

Note 20: **Component Unit Condensed Financial Information** (continued)

Statement of Cash Flows

	Head Start Child Development Council, Inc.	San Joaquin Economic Development Association	Local Agency Formation Commission	Health Plan of San Joaquin County	Total
Cash flows from operating activities:					
Cash received from:					
Service fees	$ 2,121,669	$ 103,520	$ --	$ 90,824,522	$ 93,049,711
Operating grants and contributions	30,846,641	165,557	252,183	--	31,264,381
Interest income	--	1,704	--	1,731,326	1,733,030
Other revenues	--	--	213	1,328,709	1,328,922
Cash paid to:					
Healthcare providers	--	--	--	(74,920,134)	(74,920,134)
Program expenditures	(31,400,982)	(60,884)	(59,347)	(3,446,789)	(34,968,002)
Employees	--	(123,938)	(275,596)	(7,741,421)	(8,140,955)
Net cash provided (used) in operating activities	1,567,328	85,959	(82,547)	7,776,213	9,346,953
Cash flows from capital financing and related activities:					
Purchase of capital assets	(60,710)	376	--	(7,560,246)	(7,620,580)
Net cash provided (used) by capital financing and related activities	(60,710)	376	--	(7,560,246)	(7,620,580)
Cash flows from non-capital financing and related activities:					
Borrowing proceeds from other agencies	--	--	85,000	--	85,000
Net cash provided (used) by capital financing and related activities	--	--	85,000	--	85,000
Cash flows from investing activities:					
Purchase of investments	--	(161)			(161)
Investment income	--	--	1,502	--	1,502
Net cash provided (used) for investing activities	--	(161)	1,502	--	1,341
Net increase (decrease) in cash and cash equivalents	1,506,618	85,422	3,955	215,967	1,811,962
Cash and cash equivalents, beginning of year	692,968	296,365	(17,922)	45,320,310	46,291,721
Cash and cash equivalents, end of year	$ 2,199,586	$ 381,787	$ (13,967)	$ 45,536,277	$ 48,103,683
Reconciliation of net increase (decrease) in net assets to net cash provided by operating activities:					
Operating income (loss)	$ (245,923)	$ 89,298	$ (73,375)	$ 1,530,771	$ 1,300,771
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	267,797	2,316	--	370,748	640,861
Loss on disposal of assets	--	--	--	384	384
(Increase) decrease in receivables	1,258,198	--	(8,785)	4,991,355	6,240,768
(Increase) decrease in other assets	(61,947)	--	--	133,718	71,771
Increase (decrease) in payables	385,526	(5,655)	(387)	914,700	1,294,184
Increase (decrease) in other liabilities	(36,323)	--	--	(165,463)	(201,786)
Net cash provided (used) by operating activities	$ 1,567,328	$ 85,959	$ (82,547)	$ 7,776,213	$ 9,346,953

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF SAN JOAQUIN

Required Supplementary Information
For the Year Ended June 30, 2006

Schedule of Funding Progress – Pension Fund

The tables below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

Required Supplementary Information
For the Year Ended June 30, 2006

Schedule of Funding Progress
(amounts in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded/ (Overfunded) AAL	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll
01/01/03	$ 1,448,905	$ 1,418,209	$ (30,696)	102.2%	$ 259,812	0%
01/01/04	1,531,288	1,595,737	64,449	96.0%	286,429	23%
01/01/05	1,614,979	1,769,507	154,528	91.3%	296,473	52%

COUNTY OF SAN JOAQUIN

Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule
General Fund

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	$ 44,341,780	$ 44,341,780	$ 44,341,780	$ --
Resources (inflows):				
Taxes	170,802,306	184,014,271	189,190,952	5,176,681
Licenses and permits	6,779,175	6,779,175	8,630,501	1,851,326
Fines, forfeitures and penalties	8,286,388	8,286,388	11,645,037	3,358,649
Use of money and property	1,207,429	1,207,429	5,288,298	4,080,869
Aid from other governmental agencies	386,493,856	387,223,577	372,317,035	(14,906,542)
Charges for services	38,706,287	39,183,014	37,691,932	(1,491,082)
Other revenues	496,706	654,581	6,609,804	5,955,223
Other financing sources	12,002,202	13,856,229	11,765,648	(2,090,581)
Amounts available for appropriation	624,774,349	641,204,664	643,139,207	1,934,543
Charges to appropriations (outflows):				
Current:				
General government	37,842,945	38,541,557	40,318,309	(1,776,752)
Public protection	197,350,703	198,566,549	186,802,679	11,763,870
Health and sanitation	35,996,811	35,905,651	29,727,460	6,178,191
Public assistance	301,946,448	301,809,690	268,918,563	32,891,127
Education	326,914	326,914	313,560	13,354
Recreation and culture	4,022,850	3,959,232	3,851,318	107,914
Reserve for contingency	19,361,019	30,663,561	--	30,663,561
Capital outlay	9,679,429	11,174,857	2,946,222	8,228,635
Debt service:				
Principal	--	--	377,755	(377,755)
Interest	172,360	172,361	740,069	(567,708)
Other financing uses	59,992,466	62,001,888	65,470,840	(3,468,952)
Total charges to appropriations	666,691,945	683,122,260	599,466,775	83,655,485
Fund balance, end of year	$ 2,424,184	$ 2,424,184	$ 88,014,212	$ 85,590,028

continued

COUNTY OF SAN JOAQUIN

Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule (continued)
General Fund

Explanation of differenees 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 statement, not including fund balance	$	643,139,207
Differences - budget to GAAP:		
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes		(11,765,648)
Receipts from General Fund special accounts were budgeted only if they were expected to be used by the General Fund account, but were reported as revenues of the General Fund for financial reporting purposes		13,822,686
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	645,196,245
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	$	599,466,775
Differences - budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(65,470,840)
Budgets for claims and compensated absences were budgeted only to the extent expected to be paid, rather than on the modified accrual basis for financial reporting purposes.		2,937,360
Disbursements from General Fund special accounts were not budgeted but were reported as expenditures for financial reporting purposes		2,540,204
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes.		(2,545,899)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	536,927,600

COUNTY OF SAN JOAQUIN

Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule
Mental Health and Substance Abuse Fund

	Budgeted Amounts		Actual Amount Budgetary	Variance with Final Budget Positive
	Original	Final	Basis	(Negative)
Budgetary fund balances, July 1	$ (1,210,243)	$ (1,210,243)	$ (3,437,286)	$ (2,227,043)
Resources (inflows):				
Fines, forfeitures and penalties	210,000	210,000	297,889	87,889
Use of money and property	30,000	30,000	74,567	44,567
Aid from other governmental agencies	33,784,000	33,784,000	32,572,173	(1,211,827)
Charges for services	29,626,386	29,911,432	22,316,686	(7,594,746)
Other revenues	182,801	182,801	152,020	(30,781)
Other financing sources	9,764,926	9,764,926	10,225,141	460,215
Amounts available for appropriation	73,598,113	73,883,159	65,638,476	(8,244,683)
Charges to appropriations (outflows):				
Current:				
Health and sanitation	76,035,210	76,284,756	66,883,816	9,400,940
Capital outlay	353,079	388,579	(197,290)	585,869
Other financing uses	--	--	1,483,776	(14,394,836)
Total charges to appropriations	76,388,289	76,673,335	68,170,302	(4,408,027)
Fund balance, end of year	$ (4,000,419)	$ (4,000,419)	$ (5,969,112)	$ (12,652,710)

continued

COUNTY OF SAN JOAQUIN

Budgetary Comparison Schedule (continued)
Mental Health and Substance Abuse Fund

Budgetary Comparison Schedule
Mental Health and Substance Abuse Fund

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 statement, not including fund balanee	$	65,638,476
Differeuces - budget to GAAP:		
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes		(10,225,141)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	55,413,335
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	$	68,170,302
Differences - budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(1,483,776)
Budgets for claims and compensated absences were budgeted only to the extent expected to be paid, rather thau on the modified accrual basis for financial reporting purposes.		(51,373)
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment aud supplies are received for GAAP purposes.		835,934
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	67,471,087

COUNTY OF SAN JOAQUIN

Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule
First Five Program

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amount Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balances, July 1	$ 33,251,119	$ 33,251,119	$ 33,251,119	$ --
Resources (inflows):				
Use of money and property	448,428	448,428	1,345,989	897,561
Aid from other governmental agencies	9,917,450	10,017,450	9,926,026	(91,424)
Operating transfers in	1,065,234	(5,339)	--	5,339
Amounts available for appropriation	11,431,112	10,460,539	11,272,015	811,476
Charges to appropriations (outflows):				
Current:				
Health and sanitation	848,133	848,133	26,099,927	(25,251,794)
Capital outlay	31,104,790	27,788,025	--	27,788,025
Other financing uses	1,069,573	--	82,929	(82,929)
Total charges to appropriations	33,022,496	28,636,158	26,182,856	2,453,302
Fund balance, end of year	$ 11,659,735	$ 15,075,500	$ 18,340,278	$ 3,264,778

Explanation of differences between budgetary inflows and outflows and GAAP revenues and Expenditures:

Uses/outflows of resources	
Actual amounts (budgetary basis) "total eharges to appropriations" from the budgetary comparison statement	$ 26,182,856
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(82,929)
Budgets for elaims and compensated absences were budgeted only to the extent expected to be paid, rather than on the modified accrual basis for finaneial reporting purposes.	3,898
Encumbrances for equipment and supplies ordered but not reeeived are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes.	(9,420,443)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 16,683,382

COUNTY OF SAN JOAQUIN

Note to Required Supplementary Information
For the Year Ended June 30, 2006

BUDGETARY BASIS OF ACCOUNTING

In accordance with provisions of Sections 29000 through 29144 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts an operating balanced final budget on or before August 31, of each year. Public hearings are conducted to review all proposed appropriations and the sources of financing before the adoption. Until the adoption of this balanced final budget, operations are governed by the proposed budget, which is approved by the Board of Supervisors.

Since the final budget must be balanced, any shortfall in revenue and other financing sources requires an equal reduction in appropriations. This operating balanced budget is adopted each fiscal year for the general, special revenue and special district service funds. It is prepared on a modified cash basis except that encumbrances are treated as budgeted expenditures in the year the purchase commitment is made. The encumbered appropriations do not lapse at year-end. Accordingly, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures and become authorized encumbrance appropriations carried over. Throughout the fiscal year, supplemental appropriations may be made by the Board when revenues are received from unanticipated sources, or from anticipated sources in excess of estimates thereof or from contingency sources.

The legal level for budgetary control (the level at which expenditures may not exceed budgeted appropriations) is at the index and object level. An "index" for legal appropriation purposes may be (1) a single department (2) a division of a large department having multiple divisions, or (3) an entire fund. Object levels of expenditures for legal appropriation purposes are:

1. Salaries and benefits
2. Services and supplies
3. Other charges
4. Capital outlay
5. Other financing uses
6. Interfund transfers
7. Appropriation for contingencies
8. Contracts
9. Unclassified

All amendments or transfers of line item appropriations between objects within the same index require County Administrator approval. Amendments and transfers of appropriations between indexes or that involve the addition or deletion of a project or piece of equipment must be approved by the Board of Supervisors. The Board of Supervisors has authorized the Auditor-Controller of the County to make year-end budget adjustments and appropriation transfers within the respective County budgets and funds to provide for expenditures in excess of budgeted amounts.

Budgeted amounts in the budgetary financial schedules are reported as originally adopted and amended during the fiscal year by resolutions approved by the Board of Supervisors. Because of the transition in implementing GASB 34, although trust and agency actual revenues and expenditures are included in the financial statements, the County did not budget for these activities.

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

The budgets for the governmental funds may include an object level known as "intrafund transfers" in the charges for appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

SUPPLEMENTARY INFORMATION

GENERAL FUND ACCOUNTS

General Fund Accounts, representing the general operating fund of the County, include General Account (General Fund) and certain special accounts that are under the control of various General Fund departments.

COUNTY OF SAN JOAQUIN

Combining Balance Sheet
All General Funds
June 30, 2006

	General Accounts	Contingency	General Reserve	Total
ASSETS				
Cash and investments:				
Pooled	$ 117,682,399	$ 17,463,437	$ 6,002,755	$ 141,148,591
Imprest cash	238,775	--	--	238,775
Accounts receivable	5,812,535	14,112	--	5,826,647
Taxes receivable	45,351,246	--	--	45,351,246
Interest receivable	2,089,027	--	--	2,089,027
Advances to other funds	--	66,000	--	66,000
Due from other funds	1,505,741	63,772	--	1,569,513
Due from other agencies	77,330,229	--	--	77,330,229
Loans and advances receivable	--	105,826	--	105,826
Inventory	48,838	--	--	48,838
Other assets	25,500	--	--	25,500
Total Assets	$ 250,084,290	$ 17,713,147	$ 6,002,755	$ 273,800,192
LIABILITIES				
Accounts payable	$ 11,965,415	$ --	$ --	$ 11,965,415
Accrued expenses	119,953	--	--	119,953
Due to other funds	1,526,694	--	--	1,526,694
Due to other agencies	135	--	--	135
Accrued payroll	3,872,928	--	--	3,872,928
Accrued compensated absences	19,802,260	--	--	19,802,260
Unearned revenues	78,007,054	--	--	78,007,054
Advances from other funds	2,391,410	--	--	2,391,410
Teeter note	33,000,000	--	--	33,000,000
Other liabilities	5,236,196	--	--	5,236,196
Total Liabilities	155,922,045	--	--	155,922,045
FUND BALANCES				
Reserved for:				
Encumbrances	14,785,911	--	--	14,785,911
Loans and advances	--	66,000	--	66,000
Inventory	48,838	--	--	48,838
Other assets	--	105,826	--	105,826
Unreserved				
Designated	30,202,585	--	6,002,755	36,205,340
Undesignated	49,124,911	17,541,321	--	66,666,232
Total Fund Balances	94,162,245	17,713,147	6,002,755	117,878,147
Total Liabilities and Fund Balances	$ 250,084,290	$ 17,713,147	$ 6,002,755	$ 273,800,192

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All General Funds
For the Year Ended June 30, 2006

	General Accounts	Contingency	General Reserve	Total
Revenues:				
Taxes	$ 189,190,952	$ --	$ --	$ 189,190,952
Licenses, permits and franchises	9,215,709	--	--	9,215,709
Fines, forfeitures and penalties	15,079,237	--	--	15,079,237
Revenue from use of money and property	6,559,542	15,053	246,384	6,820,979
Aid from other governmental agencies	374,629,930	--	--	374,629,930
Charges for services	39,976,984	--	--	39,976,984
Other revenue	10,282,454	--	--	10,282,454
Total Revenues	644,934,808	15,053	246,384	645,196,245
Expenditures:				
Current:				
General government	37,987,467	--	--	37,987,467
Public protection	191,399,335	--	--	191,399,335
Health and sanitation	30,541,057	--	--	30,541,057
Public assistance	269,233,683	--	--	269,233,683
Education	313,560	--	--	313,560
Recreation and cultural services	3,833,107	--	--	3,833,107
Capital Outlay	2,501,567	--	--	2,501,567
Debt Service:				
Principal	377,755	--	--	377,755
Interest	740,069	--	--	740,069
Total Expenditures	536,927,600	--	--	536,927,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	108,007,208	15,053	246,384	108,268,645
Other Financing Sources (Uses):				
Proceeds from long term debt	425,981	--	--	425,981
Intrafund transfer	(2,798,456)	2,798,456	--	--
Transfers in	3,424,769	--	--	3,424,769
Transfers out	(63,360,711)	--	(242,524)	(63,603,235)
Total Other Financing Sources (Uses)	(62,308,417)	2,798,456	(242,524)	(59,752,485)
Net Change in Fund Balances	45,698,791	2,813,509	3,860	48,516,160
Fund Balances, Beginning of Year	48,463,454	14,899,638	5,998,895	69,361,987
Fund Balances, End of Year	$ 94,162,245	$ 17,713,147	$ 6,002,755	$ 117,878,147

COUNTY OF SAN JOAQUIN

Combining Balance Sheet
All General Fund Special Accounts
June 30, 2006

	General Account	Recorder's Account	Sheriff's Special Accounts	Prisoner Welfare Accounts
ASSETS				
Cash and investments:				
Pooled	$ 64,180,205	$ 321,283	$ 768,209	$ 513,754
Impress cash	86,175	--	--	--
Accounts receivable	4,517,917	242	40,258	377,844
Taxes receivable	45,351,246	--	--	--
Interest receivable	1,767,084	--	14,507	3,663
Due from other funds	1,454,795	--	3,191	44,745
Due from other agencies	76,906,030	--	168,950	--
Inventory	--	--	--	48,838
Other assets	25,500	--	--	--
Total Assets	$ 194,288,952	$ 321,525	$ 995,115	$ 988,844
LIABILITIES				
Accounts payable	$ 9,694,722	$ --	$ 36,262	$ 73,459
Accrued expenses	119,953	--	--	--
Due to other funds	1,423,247	193	5,774	52,310
Due to other agencies	--	--	--	--
Accrued payroll	3,866,772	--	--	--
Accrued compensated absences	19,801,540	--	--	--
Unearned revenues	54,848,260	--	233,616	--
Advances from other funds	2,391,410	--	--	--
Teeter note	33,000,000	--	--	--
Other liabilities	5,236,196	--	--	--
Total Liabilities	130,382,100	193	275,652	125,769
FUND BALANCES				
Reserved for:				
Encumbrances	14,781,941	--	--	617
Inventory	--	--	--	48,838
Unreserved:				
Designated	--	321,332	719,463	813,620
Undesignated	49,124,911	--	--	--
Total Fund Balances	63,906,852	321,332	719,463	863,075
Total Liabilities and Fund Balances	$ 194,288,952	$ 321,525	$ 995,115	$ 988,844

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
All General Fund Special Accounts
June 30, 2006

	Emergency Medical Services Special Accounts	Court Fees & Assessments	Agriculture Special Accounts	Public Health Special Accounts
ASSETS				
Cash and investments:				
Pooled	$ 1,761,923	$ 1,686,391	$ 786,210	$ 6,099,870
Impress cash	--	--	--	--
Accounts receivable	56,324	25,135	213,258	2,483
Taxes receivable	--	--	--	--
Interest receivable	20,413	21,490	546	84,777
Due from other funds	--	--	1,520	1,480
Due from other agencies	--	142,279	--	--
Inventory	--	--	--	--
Other assets	--	--	--	--
Total Assets	$ 1,838,660	$ 1,875,295	$ 1,001,534	$ 6,188,610
LIABILITIES				
Accounts payable	$ 93,511	$ --	$ 34,548	$ 84,226
Accrued expenses	--	--	--	--
Due to other funds	--	--	--	--
Due to other agencies	--	--	--	--
Accrued payroll	--	--	--	--
Accrued compensated absences	--	--	--	--
Unearned revenues	--	--	--	4,716
Advances from other funds	--	--	--	--
Teeter note	--	--	--	--
Other liabilities	--	--	--	--
Total Liabilities	93,511	--	34,548	88,942
FUND BALANCES				
Reserved for:				
Encumbrances	--	--	--	--
Inventory	--	--	--	--
Unreserved:				
Designated	1,745,149	1,875,295	966,986	6,099,668
Undesignated	--	--	--	--
Total Fund Balances	1,745,149	1,875,295	966,986	6,099,668
Total Liabilities and Fund Balances	$ 1,838,660	$ 1,875,295	$ 1,001,534	$ 6,188,610

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
All General Fund Special Accounts
June 30, 2006

	Community Service Special Accounts	Parks' Special Accounts	Assessor Special Accounts	Probation Juvenile Welfare
ASSETS				
Cash and investments:				
Pooled	$ 2,846,504	$ 2,930,393	$ 207,467	$ 97,017
Impress cash	2,600	--	--	--
Accounts receivable	9,367	85,000	--	--
Taxes receivable	--	--	--	--
Interest receivable	16,540	32,154	3,181	1,328
Due from other funds	10	--	--	--
Due from other agencies	133,845	--	--	--
Inventory	--	--	--	--
Other assets	--	--	--	--
Total Assets	$ 3,008,866	$ 3,047,547	$ 210,648	$ 98,345
LIABILITIES				
Accounts payable	$ 35,632	$ --	$ --	$ 2,216
Accrued expenses	--	--	--	--
Due to other funds	2,864	--	--	650
Due to other agencies	--	135	--	--
Accrued payroll	6,156	--	--	--
Accrued compensated absences	720	--	--	--
Unearned revenues	--	--	--	--
Advances from other funds	--	--	--	--
Teeter note	--	--	--	--
Other liabilities	--	--	--	--
Total Liabilities	45,372	135	--	2,866
FUND BALANCES				
Reserved for:				
Encumbrances	--	--	--	3,353
Inventory	--	--	--	--
Unreserved:				
Designated	2,963,494	3,047,412	210,648	92,126
Undesignated	--	--	--	--
Total Fund Balances	2,963,494	3,047,412	210,648	95,479
Total Liabilities and Fund Balances	$ 3,008,866	$ 3,047,547	$ 210,648	$ 98,345

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
All General Fund Special Accounts
June 30, 2006

	Comm Dev Accounts	District Attorney Accounts	HSA Grant Accounts	Other Accounts	Total
ASSETS					
Cash and investments:					
Pooled	$1,617,084	$4,489,100	$ 23,012,068	$ 6,364,921	$ 117,682,399
Impress cash	--	--	150,000	--	238,775
Accounts receivable	--	437,131	--	47,576	5,812,535
Taxes receivable	--	--	--	--	45,351,246
Interest receivable	18,013	61,736	--	43,595	2,089,027
Due from other funds	--	--	--	--	1,505,741
Due from other agencies	--	--	(20,875)	--	77,330,229
Inventory	--	--	--	--	48,838
Other assets	--	--	--	--	25,500
Total Assets	$1,635,097	$4,987,967	$ 23,141,193	$ 6,456,092	$ 250,084,290
LIABILITIES					
Accounts payable	$ --	$ 193,500	$ 1,714,895	$ 2,444	$ 11,965,415
Accrued expenses	--	--	--	--	119,953
Due to other funds	--	--	--	41,656	1,526,694
Due to other agencies	--	--	--	--	135
Accrued payroll	--	--	--	--	3,872,928
Accrued compensated absences	--	--	--	--	19,802,260
Unearned revenues	--	1,634,194	21,286,268	--	78,007,054
Advances from other funds	--	--	--	--	2,391,410
Teeter note	--	--	--	--	33,000,000
Other liabilities	--	--	--	--	5,236,196
Total Liabilities	--	1,827,694	23,001,163	44,100	155,922,045
FUND BALANCES					
Reserved for:					
Encumbrances	--	--	--	--	14,785,911
Inventory	--	--	--	--	48,838
Unreserved:					
Designated	1,635,097	3,160,273	140,030	6,411,992	30,202,585
Undesignated	--	--	--	--	49,124,911
Total Fund Balances	1,635,097	3,160,273	140,030	6,411,992	94,162,245
Total Liabilities and Fund Balances	$1,635,097	$4,987,967	$ 23,141,193	$ 6,456,092	$ 250,084,290

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All General Fund Special Accounts
For the Year Ended June 30, 2006

	General Account	Recorder's Account	Sheriff's Special Accounts	Prisoner Welfare Accounts
Revenues:				
Taxes	$ 189,190,952	$ --	$ --	$ --
Licenses, permits and franchises	8,630,501	--	--	--
Fines, forfeitures and penalties	11,645,038	--	149,031	--
Revenue from use of money and property	5,026,861	234	38,158	12,792
Aid from other governmental agencies	372,317,036	--	73,668	--
Charges for services	37,691,933	60,080	308,915	--
Other revenue	6,609,802	--	255,153	2,961,021
Total Revenues	631,112,123	60,314	824,925	2,973,813
Expenditures:				
Current:				
General government	37,987,967	--	--	--
Public protection	189,706,358	--	257,518	1,253,355
Health and sanitation	29,949,531	--	--	--
Public assistance	268,983,600	--	--	--
Education	313,560	--	--	--
Recreation and cultural services	3,826,988	--	--	--
Capital Outlay	2,501,567	--	--	--
Debt Service:				
Principal	377,755	--	--	--
Interest	740,069	--	--	--
Total Expenditures	534,387,395	--	257,518	1,253,355
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,724,728	60,314	567,407	1,720,458
Other Financing Sources (Uses):				
Proceeds from long term debt	425,981	--	--	--
Transfers between General Fund accounts	3,039,879	(25,000)	(329,454)	(1,764,004)
Transfers in	3,424,769	--	--	--
Transfers out	(63,151,752)	(75,000)	--	(20)
Total Other Financing Sources (Uses)	(56,261,123)	(100,000)	(329,454)	(1,764,024)
Net Change in Fund Balances	40,463,605	(39,686)	237,953	(43,566)
Fund Balances, Beginning of Year	23,443,247	361,018	481,510	906,641
Fund Balances, End of Year	$ 63,906,852	$ 321,332	$ 719,463	$ 863,075

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
All General Fund Special Accounts
For the Year Ended June 30, 2006

	Emergency Medical Services Special Accounts	Court Fees & Assessments	Agriculture Special Accounts	Public Health Special Accounts
Revenues:				
Taxes	$ --	$ --	$ --	$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	668,544	319,948	--	264,706
Revenue from use of money and property	67,993	71,691	2,452	59,209
Aid from other governmental agencies	58,697	544,724	--	1,524,605
Charges for services	--	--	384,044	602,344
Other revenue	--	--	127,504	--
Total Revenues	795,234	936,363	514,000	2,450,864
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	--	115,927	--
Health and sanitation	591,451	--	--	75
Public assistance	--	--	--	--
Education	--	--	--	--
Recreation and cultural services	--	--	--	--
Capital Outlay	--	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Total Expenditures	591,451	--	115,927	75
Excess (Deficiency) of Revenues Over (Under) Expenditures	203,783	936,363	398,073	2,450,789
Other Financing Sources (Uses):				
Proceeds from long term debt	--	--	--	--
Transfers between General Fund accounts	--	(799,876)	(594,847)	(1,485,319)
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	--	(799,876)	(594,847)	(1,485,319)
Net Change in Fund Balances	203,783	136,487	(196,774)	965,470
Fund Balances, Beginning of Year	1,541,366	1,738,808	1,163,760	5,134,198
Fund Balances, End of Year	$ 1,745,149	$ 1,875,295	$ 966,986	$ 6,099,668

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
All General Fund Special Accounts
For the Year Ended June 30, 2006

	Community Service Special Accounts	Parks' Special Accounts	Assessor Special Accounts	Probation Juvenile Welfare
Revenues:				
Taxes	$ --	$ --	$ --	$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	90,367	--	--	--
Revenue from use of money and property	61,192	107,006	24,440	47,895
Aid from other governmental agencies	152,950	--	--	--
Charges for services	178,970	298,176	121,555	--
Other revenue	235,860	96,522	--	--
Total Revenues	719,339	501,704	145,995	47,895
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	--	--	66,177
Health and sanitation	--	--	--	--
Public assistance	250,073	--	--	--
Education	--	--	--	--
Recreation and cultural services	--	6,119	--	--
Capital Outlay	--	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Total Expenditures	250,073	6,119	--	66,177
Excess (Deficiency) of Revenues Over (Under) Expenditures	469,266	495,585	145,995	(18,282)
Other Financing Sources (Uses):				
Proceeds from long term debt	--	--	--	--
Transfers between General Fund accounts	--	--	(595,465)	--
Transfers in	--	--	--	--
Transfers out	--	(133,939)	--	--
Total Other Financing Sources (Uses)	--	(133,939)	(595,465)	--
Net Change in Fund Balances	469,266	361,646	(449,470)	(18,282)
Fund Balances, Beginning of Year	2,494,228	2,685,766	660,118	113,761
Fund Balances, End of Year	$ 2,963,494	$ 3,047,412	$ 210,648	$ 95,479

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
All General Fund Special Accounts
For the Year Ended June 30, 2006

	Comm Dev Accounts	District Attorney Accounts	HSA Grant Accounts	Other Accounts	Total
Revenues:					
Taxes	$ --	$ --	$ --	$ --	$189,190,952
Licenses, permits and franchises	585,208	--	--	--	9,215,709
Fines, forfeitures and penalties	--	1,941,603	--	--	15,079,237
Revenue from use of money and property	53,434	112,050	5,446	868,689	6,559,542
Aid from other governmental agencies	--	--	(41,750)	--	374,629,930
Charges for services	15,000	315,967	--	--	39,976,984
Other revenue	--	--	--	(3,408)	10,282,454
Total Revenues	653,642	2,369,620	(36,304)	865,281	644,934,808
Expenditures:					
Current:					
General government	--	--	--	(500)	37,987,467
Public protection	--	--	--	--	191,399,335
Health and sanitation	--	--	--	--	30,541,057
Public assistance	--	--	10	--	269,233,683
Education	--	--	--	--	313,560
Recreation and cultural services	--	--	--	--	3,833,107
Capital Outlay	--	--	--	--	2,501,567
Debt Service:					
Principal	--	--	--	--	377,755
Interest	--	--	--	--	740,069
Total Expenditures	--	--	10	(500)	536,927,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	653,642	2,369,620	(36,314)	865,781	108,007,208
Other Financing Sources (Uses):					
Proceeds from long term debt	--	--	--	--	425,981
Transfers between General Fund accounts	--	(2,320,934)	--	2,076,564	(2,798,456)
Transfers in	--	--	--	--	3,424,769
Transfers out	--	--	--	--	(63,360,711)
Total Other Financing Sources (Uses)	--	(2,320,934)	--	2,076,564	(62,308,417)
Net Change in Fund Balances	653,642	48,686	(36,314)	2,942,345	45,698,791
Fund Balances, Beginning of Year	981,455	3,111,587	176,344	3,469,647	48,463,454
Fund Balances, End of Year	$1,635,097	$ 3,160,273	$ 140,030	$ 6,411,992	$ 94,162,245

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds include special revenue funds, capital project funds, and debt service funds that are not classified as major funds by the County.

COUNTY OF SAN JOAQUIN

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments:				
Pooled	$ 93,171,236	$ 40,889	$ 50,577,840	$ 143,789,965
Imprest cash	33,275	--	--	33,275
Accounts receivable	4,714,957	--	2,392	4,717,349
Interest receivable	1,201,860	598	650,504	1,852,962
Due from other funds	100,397	--	721,657	822,054
Due from other agencies	9,039,070	--	206,903	9,245,973
Inventory	280,634	--	--	280,634
Advances to other funds	--	--	426,425	426,425
Restricted cash and investments	--	5,878,856	--	5,878,856
Total Assets	$ 108,541,429	$ 5,920,343	$ 52,585,721	$ 167,047,493
LIABILITIES				
Accounts payable	$ 4,684,668	$ --	$ 551,380	$ 5,236,048
Accrued payroll	574,556	--	--	574,556
Accrued compensated absences	2,014,428	--	--	2,014,428
Unearned revenues	1,105,918	--	--	1,105,918
Due to other funds	691,769	--	72,216	763,985
Due to other agencies	1,266,622	--	--	1,266,622
Advances from other funds	66,000	--	--	66,000
Total Liabilities	10,403,961	--	623,596	11,027,557
FUND BALANCES				
Reserved for:				
Encumbrances	28,875,564	--	36,216,526	65,092,090
Debt service	--	5,920,343	--	5,920,343
Inventory	280,634	--	--	280,634
Other assets	--	--	426,426	426,426
Unreserved				
Designated	31,932	--	--	31,932
Undesignated	68,949,338	--	15,319,173	84,268,511
Total Fund Balances	98,137,468	5,920,343	51,962,125	156,019,936
Total Liabilities and Fund Balances	$ 108,541,429	$ 5,920,343	$ 52,585,721	$ 167,047,493

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 27,078,486	$ --	$ --	$ 27,078,486
Licenses, permits and franchises	628,883	--	--	628,883
Fines, forfeitures and penalties	54,951	--	2,635,327	2,690,278
Revenue from use of money and property	3,771,185	216,825	2,079,622	6,067,632
Aid from other governmental agencies	77,102,953	--	3,783,475	80,886,428
Charges for services	29,520,817	23,583	64,940	29,609,340
Other revenue	6,300,201	--	191,790	6,491,991
Total Revenues	144,457,476	240,408	8,755,154	153,453,038
Expenditures:				
Current:				
General government	--	226	382,249	382,475
Public protection	23,803,251	--	317,764	24,121,015
Public ways and facilities	34,815,307	--	120,414	34,935,721
Health and sanitation	2,192,801	--	21,665	2,214,466
Public assistance	34,796,501	--	18,595	34,815,096
Education	5,489,070	--	965	5,490,035
Recreation and cultural services	215,353	--	82,711	298,064
Capital Outlay	25,042,306	--	4,098,870	29,141,176
Debt Service:				
Principal	--	5,109,200	--	5,109,200
Interest	4,856	2,463,850	--	2,468,706
Total Expenditures	126,359,445	7,573,276	5,043,233	138,975,954
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,098,031	(7,332,868)	3,711,921	14,477,084
Other Financing Sources (Uses):				
Transfers in	5,121,908	7,033,746	21,124,415	33,280,069
Transfers out	(3,373,986)	--	(14,055,103)	(17,429,089)
Total Other Financing Sources (Uses)	1,747,922	7,033,746	7,069,312	15,850,980
Net Change in Fund Balances	19,845,953	(299,122)	10,781,233	30,328,064
Fund Balances, Beginning of Year	78,291,515	6,219,465	41,180,892	125,691,872
Fund Balances, End of Year	$ 98,137,468	$ 5,920,343	$ 51,962,125	$ 156,019,936

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes.

COUNTY OF SAN JOAQUIN

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Road	Fish and Game	County Facilities Fee Program	Special Districts Settlement Fund
ASSETS				
Cash and investments	$ 23,146,167	$ 362,387	$ 3,970,716	$ 1,210,344
Imprest cash	125	--	--	--
Accounts receivable	401,666	4,890	634,518	--
Interest receivable	242,921	495	39,158	14,470
Due from other funds	100,272	--	--	--
Due from other agencies	6,461,824	27,223	--	--
Inventories	280,634	--	--	--
Total Assets	$ 30,633,609	$ 394,995	$ 4,644,392	$ 1,224,814
LIABILITIES				
Accounts payable	$ 763,530	$ --	$ --	$ --
Accrued payroll	208,666	--	--	--
Accrued compensated absences	812,317	--	--	--
Advances from other funds	--	--	--	--
Due to other funds	248,372	116	--	--
Due to other agencies	--	--	--	--
Unearned revenues	204,166	--	--	--
Total Liabilities	2,237,051	116	--	--
FUND BALANCES				
Reserved:				
Encumbrances	14,664,486	--	--	--
Inventory	280,634	--	--	--
Unreserved:				
Designated	(1,148)	--	--	--
Undesignated	13,452,586	394,879	4,644,392	1,224,814
Total Fund Balances	28,396,558	394,879	4,644,392	1,224,814
Total Liabilities and Fund Balance	$ 30,633,609	$ 394,995	$ 4,644,392	$ 1,224,814

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2006

	Job Training Partnership Act	Rabies Treatment	County Headstart	Road District #1
ASSETS				
Cash and investments	$ 690,366	$ 316,161	$ --	$ 1,419,809
Imprest cash	250	--	--	--
Accounts receivable	52,504	239	--	16,277
Interest receivable	--	5,708	3,130	17,501
Due from other funds	--	--	--	--
Due from other agencies	1,270,038	--	187,777	--
Inventories	--	--	--	--
Total Assets	$ 2,013,158	$ 322,108	$ 190,907	$ 1,453,587
LIABILITIES				
Accounts payable	$ 550,859	$ 1,318	$ 3,143	$ 60,306
Accrued payroll	140,150	9,013	1,598	--
Accrued compensated absences	486,980	39,484	13,021	--
Advances from other funds	--	--	--	--
Due to other funds	14,452	12,760	1,746	--
Due to other agencies	--	--	5,254	--
Unearned revenues	476,038	--	--	16,324
Total Liabilities	1,668,479	62,575	24,762	76,630
FUND BALANCES				
Reserved:				
Encumbrances	83,305	134,257	--	1,104,617
Inventory	--	--	--	--
Unreserved:				
Designated	212	--	--	--
Undesignated	261,162	125,276	166,145	272,340
Total Fund Balances	344,679	259,533	166,145	1,376,957
Total Liabilities and Fund Balance	$ 2,013,158	$ 322,108	$ 190,907	$ 1,453,587

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2006

	Road District #2	Road District #3	Road District #4	Road District #5
ASSETS				
Cash and investments	$ 2,135,402	$ 835,483	$ 2,578,164	$ 2,621,755
Imprest cash	--	--	--	--
Accounts receivable	16,795	10,951	68,226	33,005
Interest receivable	31,650	10,908	34,054	33,006
Due from other funds	--	--	--	--
Due from other agencies	--	--	--	--
Inventories	--	--	--	--
Total Assets	$ 2,183,847	$ 857,342	$ 2,680,444	$ 2,687,766
LIABILITIES				
Accounts payable	$ 847	$ 174,638	$ 636,355	$ 37,817
Accrued payroll	--	--	--	--
Accrued compensated absences	--	--	--	--
Advances from other funds	--	--	--	--
Due to other funds	--	82,500	--	--
Due to other agencies	--	--	--	--
Unearned revenues	16,839	10,979	68,406	33,093
Total Liabilities	17,686	268,117	704,761	70,910
FUND BALANCES				
Reserved:				
Encumbrances	2,017,081	--	1,967,039	377,661
Inventory	--	--	--	--
Unreserved:				
Designated	--	--	--	--
Undesignated	149,080	589,225	8,644	2,239,195
Total Fund Balances	2,166,161	589,225	1,975,683	2,616,856
Total Liabilities and Fund Balance	$ 2,183,847	$ 857,342	$ 2,680,444	$ 2,687,766

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2006

	County Library	District Attorney Narcotics Enforcement	Sheriff Narcotics Enforcement	Justice Assistance Grant
ASSETS				
Cash and investments	$ 402,846	$ 343,274	$ 29,937	$ 26,827
Imprest cash	--	--	7,500	--
Accounts receivable	126,760	--	--	--
Interest receivable	9,625	4,122	361	855
Due from other funds	--	--	95	--
Due from other agencies	--	--	--	--
Inventories	--	--	--	--
Total Assets	$ 539,231	$ 347,396	$ 37,893	$ 27,682
LIABILITIES				
Accounts payable	$ --	$ 374	$ 1,138	$ 1,166
Accrued payroll	--	--	--	1,507
Accrued compensated absences	--	--	--	2,611
Advances from other funds	--	--	--	--
Due to other funds	--	--	--	310
Due to other agencies	--	--	--	--
Unearned revenues	127,109	--	--	--
Total Liabilities	127,109	374	1,138	5,594
FUND BALANCES				
Reserved:				
Encumbrances	--	--	--	20,402
Inventory	--	--	--	--
Unreserved:				
Designated	--	--	7,498	--
Undesignated	412,122	347,022	29,257	1,686
Total Fund Balances	412,122	347,022	36,755	22,088
Total Liabilities and Fund Balance	$ 539,231	$ 347,396	$ 37,893	$ 27,682

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2006

	Supplemental Local Law Enforcement Block Grant	Recorder's Equipment Automation	Family Support and Incentive Earnings	Community Infra-Structure
ASSETS				
Cash and investments	$ 973,734	$ 6,521,195	$ 1,033,840	$ 16,562,101
Imprest cash	--	--	25,400	--
Accounts receivable	--	16,608	602	325,209
Interest receivable	15,392	79,063	40,012	196,256
Due from other funds	--	--	--	--
Due from other agencies	--	--	--	--
Inventories	--	--	--	--
Total Assets	$ 989,126	$ 6,616,866	$ 1,099,854	$ 17,083,566
LIABILITIES				
Accounts payable	$ 16,643	$ 21,641	$ 60,521	$ 145,078
Accrued payroll	14,928	5,370	162,509	--
Accrued compensated absences	58,027	13,970	488,984	--
Advances from other funds	--	--	--	--
Due to other funds	5,445	666	29,083	11,485
Due to other agencies	--	--	--	--
Unearned revenues	--	--	34,242	--
Total Liabilities	95,043	41,647	775,339	156,563
FUND BALANCES				
Reserved:				
Encumbrances	249,916	88,206	5,890	3,040,052
Inventory	--	--	--	--
Unreserved:				
Designated	--	--	25,343	--
Undesignated	644,167	6,487,013	293,282	13,886,951
Total Fund Balances	894,083	6,575,219	324,515	16,927,003
Total Liabilities and Fund Balance	$ 989,126	$ 6,616,866	$ 1,099,854	$ 17,083,566

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
Nonmajor Special Revenue Funds
June 30, 2006

	Substance Abuse and Crime Prevention	Public Works Special Accounts	Special Districts Under the Board	Total
ASSETS				
Cash and investments	$ 638,970	$ 997,698	$ 26,354,060	$ 93,171,236
Imprest cash	--	--	--	33,275
Accounts receivable	--	1,715	3,004,992	4,714,957
Interest receivable	21,849	11,362	389,962	1,201,860
Due from other funds	--	--	30	100,397
Due from other agencies	--	--	1,092,208	9,039,070
Inventories	--	--	--	280,634
Total Assets	$ 660,819	$ 1,010,775	$ 30,841,252	$ 108,541,429
LIABILITIES				
Accounts payable	$ 28,561	$ --	$ 2,180,733	$ 4,684,668
Accrued payroll	3,592	--	27,223	574,556
Accrued compensated absences	11,661	--	87,373	2,014,428
Advances from other funds	--	--	66,000	66,000
Due to other funds	746	--	284,088	691,769
Due to other agencies	--	--	1,261,368	1,266,622
Unearned revenues	--	--	118,722	1,105,918
Total Liabilities	44,560	--	4,025,507	10,403,961
FUND BALANCES				
Reserved:				
Encumbrances	22,997	--	5,099,655	28,875,564
Inventory	--	--	--	280,634
Unreserved:				
Designated	--	--	27	31,932
Undesignated	593,262	1,010,775	21,716,063	68,949,338
Total Fund Balances	616,259	1,010,775	26,815,745	98,137,468
Total Liabilities and Fund Balance	$ 660,819	$ 1,010,775	$ 30,841,252	$ 108,541,429

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Road	Fish and Game	County Facilities Fee Program	Special Districts Settlement Fund
Revenues:				
Taxes	$ 13,901,171	$ --	$ --	$ --
Licenses and permits	178,139	--	--	--
Aid from other governmental agencies	22,656,435	27,224	--	--
Fines, forfeitures and penalties	--	54,951	--	--
Use of money and property	761,812	2,057	70,158	49,002
Charges for services	1,545,878	--	4,574,234	--
Miscellaneous	160,010	--	--	--
Total Revenues	39,203,445	84,232	4,644,392	49,002
Expenditures:				
Current:				
Public protection	--	29,181	--	--
Public ways and facilities	10,878,239	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Recreation	--	--	--	--
Capital Outlay	23,276,319	2,837	--	--
Debt service - interest	--	--	--	--
Total Expenditures	34,154,558	32,018	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,048,887	52,214	4,644,392	49,002
Other Financing Sources (Uses):				
Transfers between special revenue accounts	1,606,322	--	--	--
Transfers in	2,857,574	--	--	--
Transfers out	(677,014)	(165,505)	--	--
Total Other Financing Sources (Uses)	3,786,882	(165,505)	--	--
Net Change in Fund Balances	8,835,769	(113,291)	4,644,392	49,002
Fund Balances, Beginning of Year	19,560,789	508,170	--	1,175,812
Fund Balances, End of Year	$ 28,396,558	$ 394,879	$ 4,644,392	$ 1,224,814

continued

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Job Training Partnership Act	Rabies Treatment	County Headstart	Road District #1
Revenues:				
Taxes	$ --	$ --	$ --	$ 598,523
Licenses and permits	--	85,909	--	--
Aid from other governmental agencies	11,235,297	--	23,313,188	8,062
Fines, forfeitures and penalties	--	--	--	--
Use of money and property	778	30,531	6,400	51,185
Charges for services	270,309	12,543	--	--
Miscellaneous	14,256	511	--	1,836
Total Revenues	11,520,640	129,494	23,319,588	659,606
Expenditures:				
Current:				
Public protection	--	1,104,864	--	--
Public ways and facilities	--	--	--	251,335
Health and sanitation	--	--	--	--
Public assistance	11,431,269	--	23,097,444	--
Education	--	--	--	--
Recreation	--	--	--	--
Capital Outlay	596,775	--	--	--
Debt service - interest	--	--	--	--
Total Expenditures	12,028,044	1,104,864	23,097,444	251,335
Excess (Deficiency) of Revenues Over (Under) Expenditures	(507,404)	(975,370)	222,144	408,271
Other Financing Sources (Uses):				
Transfers between special revenue accounts	--	--	--	(76,594)
Transfers in	--	959,590	--	--
Transfers out	(58,639)	(5,152)	(9)	--
Total Other Financing Sources (Uses)	(58,639)	954,438	(9)	(76,594)
Net Change in Fund Balances	(566,043)	(20,932)	222,135	331,677
Fund Balances, Beginning of Year	910,722	280,465	(55,990)	1,045,280
Fund Balances, End of Year	$ 344,679	$ 259,533	$ 166,145	$ 1,376,957

continued

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Road District #2	Road District #3	Road District #4	Road District #5
Revenues:				
Taxes	$ 611,349	$ 529,920	$ 2,523,546	$ 1,235,715
Licenses and permits	--	--	--	--
Aid from other governmental agencies	8,362	5,448	93,934	16,393
Fines, forfeitures and penalties	--	--	--	--
Use of money and property	105,142	29,330	93,157	95,383
Charges for services	--	--	500	--
Miscellaneous	--	--	452	--
Total Revenues	724,853	564,698	2,711,589	1,347,491
Expenditures:				
Current:				
Public protection	--	--	--	--
Public ways and facilities	1,291,443	325,366	3,232,910	686,380
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Recreation	--	--	--	--
Capital Outlay	--	--	--	--
Debt service - interest	--	--	--	--
Total Expenditures	1,291,443	325,366	3,232,910	686,380
Excess (Deficiency) of Revenues Over (Under) Expenditures	(566,590)	239,332	(521,321)	661,111
Other Financing Sources (Uses):				
Transfers between special revenue accounts	(62,578)	(166,355)	(301,884)	(206,097)
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	(62,578)	(166,355)	(301,884)	(206,097)
Net Change in Fund Balances	(629,168)	72,977	(823,205)	455,014
Fund Balances, Beginning of Year	2,795,329	516,248	2,798,888	2,161,842
Fund Balances, End of Year	$ 2,166,161	$ 589,225	$ 1,975,683	$ 2,616,856

continued

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	County Library	District Attorney Narcotics Enforcement	Sheriff Narcotics Enforcement	Justice Assistance Grant
Revenues:				
Taxes	$ 4,735,508	$ --	$ --	$ --
Licenses and permits	--	--	--	--
Aid from other governmental agencies	179,603	--	1,726	--
Fines, forfeitures and penalties	--	--	--	--
Use of money and property	19,547	13,952	1,291	5,045
Charges for services	269,439	--	--	--
Miscellaneous	--	6,755	1,110	--
Total Revenues	5,204,097	20,707	4,127	5,045
Expenditures:				
Current:				
Public protection	--	8,408	8,725	180,097
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	5,489,070	--	--	--
Recreation	--	--	--	--
Capital Outlay	--	--	--	--
Debt service - interest	--	--	--	--
Total Expenditures	5,489,070	8,408	8,725	180,097
Excess (Deficiency) of Revenues Over (Under) Expenditures	(284,973)	12,299	(4,598)	(175,052)
Other Financing Sources (Uses):				
Transfers between special revenue accounts	--	--	--	--
Transfers in	252,240	--	--	19,701
Transfers out	--	--	--	(165)
Total Other Financing Sources (Uses)	252,240	--	--	19,536
Net Change in Fund Balances	(32,733)	12,299	(4,598)	(155,516)
Fund Balances, Beginning of Year	444,855	334,723	41,353	177,604
Fund Balances, End of Year	$ 412,122	$ 347,022	$ 36,755	$ 22,088

continued

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Supplemental Local Law Enforcement Block Grant	Recorder's Equipment Automation	Family Support and Incentive Earnings	Community Infra-Structure
Revenues:				
Taxes	$ --	$ --	$ --	$ --
Licenses and permits	--	--	--	--
Aid from other governmental agencies	2,046,770	--	15,271,030	--
Fines, forfeitures and penalties	--	--	--	--
Use of money and property	64,032	253,508	155,162	643,044
Charges for services	--	1,977,769	--	3,922,438
Miscellaneous	--	--	100,515	--
Total Revenues	2,110,802	2,231,277	15,526,707	4,565,482
Expenditures:				
Current:				
Public protection	3,163,453	718,367	14,521,374	--
Public ways and facilities	--	--	--	867,626
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Recreation	--	--	--	--
Capital Outlay	12,223	1,071	4,303	--
Debt service - interest	--	--	--	--
Total Expenditures	3,175,676	719,438	14,525,677	867,626
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,064,874)	1,511,839	1,001,030	3,697,856
Other Financing Sources (Uses):				
Transfers between special revenue accounts	--	--	--	(791,412)
Transfers in	--	75,000	429,332	--
Transfers out	(2,996)	(305,661)	(965,035)	--
Total Other Financing Sources (Uses)	(2,996)	(230,661)	(535,703)	(791,412)
Net Change in Fund Balances	(1,067,870)	1,281,178	465,327	2,906,444
Fund Balances, Beginning of Year	1,961,953	5,294,041	(140,812)	14,020,559
Fund Balances, End of Year	$ 894,083	$ 6,575,219	$ 324,515	$ 16,927,003

continued

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Substance Abuse and Crime Prevention	Public Works Special Accounts	Special Districts Under the Board	Total
Revenues:				
Taxes	$ --	$ --	$ 2,942,754	$ 27,078,486
Licenses and permits	--	--	364,835	628,883
Aid from other governmental agencies	2,023,389	--	216,092	77,102,953
Fines, forfeitures and penalties	--	--	--	54,951
Use of money and property	89,214	36,666	1,194,789	3,771,185
Charges for services	--	240,278	16,707,429	29,520,817
Miscellaneous	--	28,368	5,986,388	6,300,201
Total Revenues	2,112,603	305,312	27,412,287	144,457,476
Expenditures:				
Current:				
Public protection	--	--	4,068,782	23,803,251
Public ways and facilities	--	14,184	17,267,824	34,815,307
Health and sanitation	2,192,801	--	--	2,192,801
Public assistance	--	--	267,788	34,796,501
Education	--	--	--	5,489,070
Recreation	--	--	215,353	215,353
Capital Outlay	--	--	1,148,778	25,042,306
Debt service - interest	--	--	4,856	4,856
Total Expenditures	2,192,801	14,184	22,973,381	126,359,445
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,198)	291,128	4,438,906	18,098,031
Other Financing Sources (Uses):				
Transfers between special revenue accounts	--	(1,402)	--	--
Transfers in	--	--	528,471	5,121,908
Transfers out	(30)	--	(1,193,780)	(3,373,986)
Total Other Financing Sources (Uses)	(30)	(1,402)	(665,309)	1,747,922
Net Change in Fund Balances	(80,228)	289,726	3,773,597	19,845,953
Fund Balances, Beginning of Year	696,487	721,049	23,042,148	78,291,515
Fund Balances, End of Year	$ 616,259	$ 1,010,775	$ 26,815,745	$ 98,137,468

COUNTY OF SAN JOAQUIN

Combining Balance Sheet
Nonmajor Special Districts Governed by the Board of Supervisors - Special Revenue Funds
As of June 30, 2006

	Lighting Districts	Service Areas	Mountain House CSD	Maintenance Districts
ASSETS				
Cash and investments	$ 288,822	$ 4,237,231	$ 4,096,687	$ 4,970,413
Accounts receivable	5,526	60,025	2,793,497	38,611
Due from other funds	--	--	--	--
Due from other agencies	--	--	--	--
Interest receivable	3,807	60,401	89,817	66,815
Total Assets	$ 298,155	$ 4,357,657	$ 6,980,001	$ 5,075,839
LIABILITIES				
Accounts payable	$ 24,174	$ 189,068	$ 1,127,243	$ 456,339
Accrued salaries and benefits	--	--	22,839	--
Accrued compensated absences	--	--	87,373	--
Advances from other funds	--	66,000	--	--
Due to other funds	--	73,163	91,978	10,000
Due to other agencies	--	--	--	--
Unearned revenues	5,498	5,355	29,627	11,044
Total Liabilities	29,672	333,586	1,359,060	477,383
FUND BALANCES				
Reserved:				
Encumbrances	--	198,552	3,664,926	97,553
Unreserved:				
Designated	--	--	27	--
Undesignated	268,483	3,825,519	1,955,988	4,500,903
Total Fund Balances	268,483	4,024,071	5,620,941	4,598,456
Total Liabilities and Fund Balances	$ 298,155	$ 4,357,657	$ 6,980,001	$ 5,075,839

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
Nonmajor Special Districts Governed by the Board of Supervisors - Special Revenue Funds
As of June 30, 2006

	Flood Control District	Water District	San Joaquin Parties Water Authority
ASSETS			
Cash and investments	$ 11,814,426	$ 1	$ 139,812
Accounts receivable	92,215	3,433	--
Due from other funds	30	--	--
Due from other agencies	37,030	--	26,639
Interest receivable	156,658	4	1,997
Total Assets	$ 12,100,359	$ 3,438	$ 168,448
LIABILITIES			
Accounts payable	$ 48,824	$ 3,832	$ 11,625
Accrued salaries and benefits	26	--	--
Accrued compensated absences	--	--	--
Advances from other funds	--	--	--
Due to other funds	100,743	964	4,083
Accrued compensated absences	--	9,278	--
Unearned revenues	67,140	58	--
Total Liabilities	216,733	14,132	15,708
FUND BALANCES			
Reserved:			
Encumbrances	657,403	--	52,292
Unreserved:			
Designated	--	--	--
Undesignated	11,226,223	(10,694)	100,448
Total Fund Balances	11,883,626	(10,694)	152,740
Total Liabilities and Fund Balances	$ 12,100,359	$ 3,438	$ 168,448

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
Nonmajor Special Districts Governed by the Board of Supervisors - Special Revenue Funds
As of June 30, 2006

	Water & Power Authority	Improvement Districts	IHSS Public Authority	Total
ASSETS				
Cash and investments	$ 692,898	$ 113,701	$ 69	$ 26,354,060
Accounts receivable	--	--	11,685	3,004,992
Due from other funds	--	--	--	30
Due from other agencies	--	--	1,028,539	1,092,208
Interest receivable	9,105	1,358	--	389,962
Total Assets	$ 702,003	$ 115,059	$ 1,040,293	$ 30,841,252
LIABILITIES				
Accounts payable	$ 45,271	$ --	$ 274,357	$ 2,180,733
Accrued salaries and benefits	26	--	4,332	27,223
Accrued compensated absences	--	--	--	87,373
Advances from other funds	--	--	--	66,000
Due to other funds	1,550	--	1,607	284,088
Accrued compensated absences	--	--	1,252,090	1,261,368
Unearned revenues	--	--	--	118,722
Total Liabilities	46,847	--	1,532,386	4,025,507
FUND BALANCES				
Reserved:				
Encumbrances	312,969	--	115,960	5,099,655
Unreserved:				
Designated	--	--	--	27
Undesignated	342,187	115,059	(608,053)	21,716,063
Total Fund Balances	655,156	115,059	(492,093)	26,815,745
Total Liabilities and Fund Balances	$ 702,003	$ 115,059	$ 1,040,293	$ 30,841,252

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Districts Governed by the Board of Supervisors - Special Revenue Funds
For the Year Ended June 30, 2006

	Lighting Districts	Service Areas	Moutain House CSD	Maintenance Districts
Revenues:				
Taxes	$ 187,113	$ 174,066	$ 1,031,247	$ 174,006
Licenses and permits	--	--	364,835	--
Aid from other governmental agencies	2,724	29,140	14,277	5,483
Use of money and property	10,250	196,043	219,822	203,203
Charges for services	240,367	3,185,999	5,954,754	4,069,585
Miscellaneous	--	21,748	5,722,949	12,218
Total Revenues	440,454	3,606,996	13,307,884	4,464,495
Expenditures:				
Current:				
Public protection	--	--	--	--
Public ways and facilities	327,724	2,759,152	9,129,163	4,074,097
Public assistance				
Recreation	--	215,353	--	--
Capital Outlay	--	160,878	5,027	148,520
Debt service - interest	--	4,856	--	--
Total Expenditures	327,724	3,140,239	9,134,190	4,222,617
Excess (Deficiency) of Revenues Over (Under) Expenditures	112,730	466,757	4,173,694	241,878
Other Financing Sources (Uses):				
Transfers in	--	28,471	--	--
Transfers out	--	(106,437)	(493,231)	(87,519)
Total Other Financing Sources (Uses)	--	(77,966)	(493,231)	(87,519)
Net Change in Fund Balances	112,730	388,791	3,680,463	154,359
Fund Balances, Beginning of Year	155,753	3,635,280	1,940,478	4,444,097
Fund Balances, End of Year	$ 268,483	$ 4,024,071	$ 5,620,941	$ 4,598,456

continued

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Districts Governed by the Board of Supervisors - Special Revenue Funds
For the Year Ended June 30, 2006

	Flood Control District	Water District	East San Joaquin Parties Water Authority
Revenues:			
Taxes	$ 1,375,546	$ 776	$ --
Licenses and permits	--	--	--
Aid from other governmental agencies	64,439	29	100,000
Use of money and property	519,273	2	11,400
Charges for services	3,213,433	43,291	--
Miscellaneous	84,985	--	90
Total Revenues	5,257,676	44,098	111,490
Expenditures:			
Current:			
Public protection	4,068,782	--	--
Public ways and facilities	--	45,367	544,991
Public assistance			
Recreation	--	--	--
Capital Outlay	811,803	--	--
Debt service - interest	--	--	--
Total Expenditures	4,880,585	45,367	544,991
Excess (Deficiency) of Revenues Over (Under) Expenditures	377,091	(1,269)	(433,501)
Other Financing Sources (Uses):			
Transfers in	--	--	200,000
Transfers out	(506,593)	--	--
Total Other Financing Sources (Uses)	(506,593)	--	200,000
Net Change in Fund Balances	(129,502)	(1,269)	(233,501)
Fund Balances, Beginning of Year	12,013,128	(9,425)	386,241
Fund Balances, End of Year	$ 11,883,626	$ (10,694)	$ 152,740

continued

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Districts Governed by the Board of Supervisors - Special Revenue Funds
For the Year Ended June 30, 2006

	Mokelumne Water & Power Authority	Improvement Districts	IHSS Public Authority	Total
Revenues:				
Taxes	$ --	$ --	$ --	$ 2,942,754
Licenses and permits	--	--	--	364,835
Aid from other governmental agencies	--	--	--	216,092
Use of money and property	30,923	4,597	(724)	1,194,789
Charges for services	--	--	--	16,707,429
Miscellaneous	--	--	144,398	5,986,388
Total Revenues	30,923	4,597	143,674	27,412,287
Expenditures:				
Current:				
Public protection	--	--	--	4,068,782
Public ways and facilities	387,330	--	--	17,267,824
Public assistance			267,788	267,788
Recreation	--	--	--	215,353
Capital Outlay	--	--	22,550	1,148,778
Debt service - interest	--	--	--	4,856
Total Expenditures	387,330	--	290,338	22,973,381
Excess (Deficiency) of Revenues Over (Under) Expenditures	(356,407)	4,597	(146,664)	4,438,906
Other Financing Sources (Uses):				
Transfers in	300,000	--	--	528,471
Transfers out	--	--	--	(1,193,780)
Total Other Financing Sources (Uses)	300,000	--	--	(665,309)
Net Change in Fund Balances	(56,407)	4,597	(146,664)	3,773,597
Fund Balances, Beginning of Year	711,563	110,462	(345,429)	23,042,148
Fund Balances, End of Year	$ 655,156	$ 115,059	$ (492,093)	$ 26,815,745

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

COUNTY OF SAN JOAQUIN

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2006

	1993 Capital Facility Project	Special Districts Governed By Board: Maintenance District Shaded Terrace	Special Districts Governed By Board: Maintenance District Sunnyside	Total
ASSETS				
Cash and investments	$ --	$ 31,550	$ 9,339	$ 40,889
Interest receivable	--	460	138	598
Restricted Assets:				
Cash and investments	5,858,221	--	--	5,858,221
Receivables	20,635	--	--	20,635
Total Assets	$ 5,878,856	$ 32,010	$ 9,477	$ 5,920,343
FUND BALANCES				
Reserved:				
Debt serviee	5,878,856	32,010	9,477	5,920,343
Total Fund Balances	5,878,856	32,010	9,477	5,920,343
Total Liabilities and Fund Balances	$ 5,878,856	$ 32,010	$ 9,477	$ 5,920,343

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2006

	1993 Capital Facility Project	Special Districts Governed By Board: Maintenance District Shaded Terrace	Special Districts Governed By Board: Maintenance District Sunnyside	Total
Revenues:				
Use of money and property	$ 214,997	$ 1,405	$ 423	$ 216,825
Charges for services	--	18,144	5,439	23,583
Total Revenues	214,997	19,549	5,862	240,408
Expenditures:				
General government	--	113	113	226
Debt service:				
Principal retirement	5,105,000	3,000	1,200	5,109,200
Interest payments	2,444,871	14,708	4,271	2,463,850
Total Expenditures	7,549,871	17,821	5,584	7,573,276
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,334,874)	1,728	278	(7,332,868)
Other Financing Sources (Uses):				
Transfers in	7,033,746	--	--	7,033,746
Total Other Financing Sources (Uses)	7,033,746	--	--	7,033,746
Net Change in Fund Balances	(301,128)	1,728	278	(299,122)
Fund Balances, Beginning of Year	6,179,984	30,282	9,199	6,219,465
Fund Balances, End of Year	$ 5,878,856	$ 32,010	$ 9,477	$ 5,920,343

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition of land or acquisition and construction of major capital facilities other than those financed by proprietary funds.

COUNTY OF SAN JOAQUIN

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2006

	Courthouse Construction	Criminal Justice Construction	Capital Outlay
ASSETS			
Cash and investments	$ 5,412,384	$ 7,497,494	$ 33,621,076
Accounts receivable	--	--	--
Due from other funds	--	--	721,657
Due from other agencies	121,541	85,362	--
Interest receivable	62,692	87,260	458,093
Advances to other funds	--	--	426,425
Total Assets	$ 5,596,617	$ 7,670,116	$ 35,227,251
LIABILITIES			
Accounts payable	$ --	$ --	$ 551,380
Due to other funds	72,216	--	--
Total Liabilities	72,216	--	551,380
FUND BALANCES			
Reserved:			
Encumbrances	--	--	36,216,526
Interfund advances	--	--	426,426
Unreserved:			
Undesignated	5,524,401	7,670,116	(1,967,081)
Total Fund Balances	5,524,401	7,670,116	34,675,871
Total Liabilities and Fund Balances	$ 5,596,617	$ 7,670,116	$ 35,227,251

continued

COUNTY OF SAN JOAQUIN

Combining Balance Sheet (continued)
Nonmajor Capital Project Funds
June 30, 2006

	Public Health Construction	Special Districts Governed by the Board	Total
ASSETS			
Cash and investments	$ 971,099	$ 3,075,787	$ 50,577,840
Accounts receivable	--	2,392	2,392
Due from other funds	--	--	721,657
Due from other agencies	--	--	206,903
Interest receivable	11,452	31,007	650,504
Advances to other funds	--	--	426,425
Total Assets	$ 982,551	$ 3,109,186	$ 52,585,721
LIABILITIES			
Accounts payable	$ --	$ --	$ 551,380
Due to other funds	--	--	72,216
Total Liabilities	--	--	623,596
FUND BALANCES			
Reserved:			
Encumbrances	--	--	36,216,526
Interfund advances	--	--	426,426
Unreserved:			
Undesignated	982,551	3,109,186	15,319,173
Total Fund Balances	982,551	3,109,186	51,962,125
Total Liabilities and Fund Balances	$ 982,551	$ 3,109,186	$ 52,585,721

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2006

	Courthouse Construction	Criminal Justice Construction	Capital Outlay
Revenues:			
Fines, forfeitures and penalties	$ 1,567,421	$ 1,067,906	$ --
Use of money and property	192,035	280,860	1,464,628
Aid from other governmental agencies	--	--	3,783,475
Charges for services	--	--	--
Miscellaneous	--	--	171,790
Total Revenues	1,759,456	1,348,766	5,419,893
Expenditures:			
General government	--	--	382,249
Public protection	--	--	317,764
Public ways and facilities	--	--	120,414
Health and sanitation	--	--	21,665
Public assistance	--	--	18,595
Education	--	--	965
Recreation and culture	--	--	82,711
Capital outlay	--	--	4,098,870
Total Expenditures	--	--	5,043,233
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,759,456	1,348,766	376,660
Other Financing Sources (Uses):			
Transfers in	--	--	20,946,147
Transfers out	--	--	(14,042,103)
Transfers between capital outlay funds	(216,625)	--	216,625
Total Other Financing Sources (Uses)	(216,625)	--	7,120,669
Net Change in Fund Balances	1,542,831	1,348,766	7,497,329
Fund Balances, Beginning of Year	3,981,570	6,321,350	27,178,542
Fund Balances, End of Year	$ 5,524,401	$ 7,670,116	$ 34,675,871

continued

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Capital Project Funds
For the Year Ended June 30, 2006

	Public Health Construction	Special Districts Governed by the Board	Total
Revenues:			
Fines, forfeitures and penalties	$ --	$ --	$ 2,635,327
Use of money and property	38,588	103,511	2,079,622
Aid from other governmental agencies	--	--	3,783,475
Charges for services	--	64,940	64,940
Miscellaneous	20,000	--	191,790
Total Revenues	58,588	168,451	8,755,154
Expenditures:			
General government	--	--	382,249
Public protection	--	--	317,764
Public ways and facilities	--	--	120,414
Health and sanitation	--	--	21,665
Public assistance	--	--	18,595
Education	--	--	965
Recreation and culture	--	--	82,711
Capital outlay	--	--	4,098,870
Total Expenditures	--	--	5,043,233
Excess (Deficiency) of Revenues Over (Under) Expenditures	58,588	168,451	3,711,921
Other Financing Sources (Uses):			
Transfers in	--	178,268	21,124,415
Transfers out	--	(13,000)	(14,055,103)
Transfers between capital outlay funds	--	--	--
Total Other Financing Sources (Uses)	--	165,268	7,069,312
Net Change in Fund Balances	58,588	333,719	10,781,233
Fund Balances, Beginning of Year	923,963	2,775,467	41,180,892
Fund Balances, End of Year	$ 982,551	$ 3,109,186	$ 51,962,125

COUNTY OF SAN JOAQUIN

Combining Balance Sheet
Nonmajor Special Districts Governed by the Board of Supervisors - Capital Project Funds
As of June 30, 2006

	Improvement Districts	Maintenance Districts	County Service Areas	Flood Control	Total
ASSETS					
Cash and investments	$ 778,550	$ 1,239,302	$ 740,133	$ 317,802	$ 3,075,787
Accounts receivable	2,392	--	--	--	2,392
Interest receivable	9,192	13,995	7,820	--	31,007
Total Assets	$ 790,134	$ 1,253,297	$ 747,953	$ 317,802	$ 3,109,186
FUND BALANCES					
Unreserved:					
Undesignated	790,134	1,253,297	747,953	317,802	3,109,186
Total Fund Balances	$ 790,134	$ 1,253,297	$ 747,953	$ 317,802	$ 3,109,186

COUNTY OF SAN JOAQUIN

Combining Statements of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Districts Governed by the Board of Supervisors - Capital Project Funds
For the Year Ended June 30, 2006

	Improvement Districts	Maintenance Districts	County Service Areas	Flood Control	Total
Revenues:					
Use of money and property	$ 30,373	$ 46,901	$ 26,032	$ 205	$ 103,511
Charges for services	64,940	--	--	--	64,940
Total Revenues	95,313	46,901	26,032	205	168,451
Excess (Deficiency) of Revenues Over (Under) Expenditures	95,313	46,901	26,032	205	168,451
Other Financing Sources (Uses):					
Transfers in	--	72,048	106,220	--	178,268
Transfers out	--	--	(13,000)	--	(13,000)
Total Other Financing Sources (Uses)	--	72,048	93,220	--	165,268
Net Change in Fund Balances	95,313	118,949	119,252	205	333,719
Fund Balance, Beginning of Year	694,821	1,134,348	628,701	317,597	2,775,467
Fund Balance, End of Year	$ 790,134	$ 1,253,297	$ 747,953	$ 317,802	$ 3,109,186

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governments on a cost-reimbursement basis.

Combining Statement of Fund Net Assets
Internal Service Funds
As of June 30, 2006

	Fleet Services	Office Automation	Central Telephone	Southern Water System
Assets				
Current Assets:				
Cash and investments	$ 10,601,706	$ 245,194	$ 2,084,413	$ 289,392
Imprest cash	40	--	--	--
Interest receivable	129,495	4,465	24,838	3,979
Due from other funds	830,914	19,189	421,228	--
Due from external parties	183,444	2,763	43,667	38,000
Prepaid expenses	--	--	1,135	--
Inventories	359,842	--	89,472	--
Total Current Assets	12,105,441	271,611	2,664,753	331,371
Non-current Assets:				
Capital Assets:				
Non-depreciable	--	--	--	17,481
Depreciable, net	4,114,859	987,716	239,686	458,000
Total Noncurrent Assets	4,114,859	987,716	239,686	475,481
Total Assets	$ 16,220,300	$ 1,259,327	$ 2,904,439	$ 806,852
Liabilities				
Current Liabilities:				
Accounts payable	$ 176,613	$ --	$ 256,717	$ --
Accrued expenses	--	12,030	--	--
Accrued payroll	31,759	--	12,969	--
Due to other funds	6,370	--	49,060	--
Compensated absences	147,441	--	65,327	--
Current portion of capital leases	--	215,114	--	--
Current portion of notes payable	--	--	--	--
Total Current Liabilities	362,183	227,144	384,073	--
Long-Term Liabilities:				
Advances from other funds	--	--	--	426,425
Compensated absences	11,540	--	15,925	--
Capital lease obligations	--	382,848	--	--
Claims liability	--	--	--	--
Notes payable	--	--	--	--
Total Liabilities	373,723	609,992	399,998	426,425
Net Assets				
Invested in capital assets, net of related debt	4,114,859	389,754	239,686	475,481
Unrestricted	11,731,718	259,581	2,264,755	(95,054)
Total Net Assets	15,846,577	649,335	2,504,441	380,427
Total Liabilities and Net Assets	$ 16,220,300	$ 1,259,327	$ 2,904,439	$ 806,852

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Fund Net Assets (continued)
Internal Service Funds
As of June 30, 2006

	Radio Communi-cations	Copier/ Credit Card	Casualty Insurance	Workers' Compensation Insurance
Assets				
Current Assets:				
Cash and investments	$ 754,643	$ 1,034,516	$ 13,770,774	$ 24,292,053
Imprest cash	--	--	--	--
Interest receivable	10,467	8,559	181,023	313,274
Due from other funds	403,571	164,912	4,462	433
Due from external parties	598	5,153	--	4,580
Prepaid expenses	--	82,346	602,066	250,000
Inventories	--	--	--	--
Total Current Assets	1,169,279	1,295,486	14,558,325	24,860,340
Non-current Assets:				
Capital Assets:				
Non-depreciable	--	--	--	--
Depreciable, net	3,628,162	--	--	8,417
Total Noncurrent Assets	3,628,162	--	--	8,417
Total Assets	4,797,441	1,295,486	14,558,325	24,868,757
Liabilities				
Current Liabilities:				
Accounts payable	$ 10,758	$ 831,366	$ 278,716	$ 1,621,698
Accrued expenses	10,181	--	77,015	--
Accrued payroll	--	--	--	--
Due to other funds	46,358	--	649,415	229
Compensated absences	--	--	--	--
Current portion of capital leases	107,074	--	--	--
Current portion of notes payable	--	--	48,098	--
Total Current Liabilities	174,371	831,366	1,053,244	1,621,927
Long-Term Liabilities:				
Advances from other funds	--	--	--	--
Compensated absences	--	--	--	--
Capital lease obligations	727,466	--	--	--
Claims liability	--	--	10,729,000	21,426,000
Notes payable	--	--	1,905,786	--
Total Liabilities	901,837	831,366	13,688,030	23,047,927
Net Assets				
Invested in capital assets, net of related debt	2,793,622	--	--	8,417
Unrestricted	1,101,982	464,120	870,295	1,812,413
Total Net Assets	3,895,604	464,120	870,295	1,820,830
Total Liabilities and Net Assets	$ 4,797,441	$ 1,295,486	$ 14,558,325	$ 24,868,757

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Fund Net Assets (continued)
Internal Service Funds
As of June 30, 2006

	Medical Insurance	Dental Insurance	Unemployment Insurance	Total
Assets				
Current Assets:				
Cash and investments	$ 20,995,966	$ 1,839,218	$ 2,246,636	$ 78,154,511
Imprest cash	--	--	--	40
Interest receivable	249,350	19,800	25,083	970,333
Due from other funds	--	--	--	1,844,709
Due from external parties	745,922	72,263	27,408	1,123,798
Prepaid expenses	--	--	--	935,547
Inventories	--	--	--	449,314
Total Current Assets	21,991,238	1,931,281	2,299,127	83,478,252
Non-current Assets:				
Capital Assets:				
Non-depreciable	--	--	--	17,481
Depreciable, net	--	--	--	9,436,840
Total Noncurrent Assets	--	--	--	9,454,321
Total Assets	$ 21,991,238	$ 1,931,281	$ 2,299,127	$ 92,932,573
Liabilities				
Current Liabilities:				
Accounts payable	$ 131,114	$ 843,556	$ 2,231	4,152,769
Accrued expenses	--	--	--	99,226
Accrued payroll	--	--	--	44,728
Due to other funds	--	--	4,462	755,894
Compensated absences	--	--	--	212,768
Current portion of capital leases	--	--	--	322,188
Current portion of notes payable	--	--	--	48,098
Total Current Liabilities	131,114	843,556	6,693	5,635,671
Long-Term Liabilities:				
Advances from other funds	--	--	--	426,425
Compensated absences	--	--	--	27,465
Capital lease obligations	--	--	--	1,110,314
Claims liability	6,412,876	313,483	235,000	39,116,359
Notes payable	--	--	--	1,905,786
Total Liabilities	6,543,990	1,157,039	241,693	48,222,020
Net Assets				
Invested in capital assets, net of related debt	--	--	--	8,021,819
Unrestricted	15,447,248	774,242	2,057,434	36,688,734
Total Net Assets	15,447,248	774,242	2,057,434	44,710,553
Total Liabilities and Net Assets	$ 21,991,238	$ 1,931,281	$ 2,299,127	$ 92,932,573

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2006

	Fleet Services	Office Automation	Central Telephone	Southern Water System	Radio Communi-cations
Operating Revenues:					
Charges for services	$ --	$ --	$ --	$ --	$ --
Equipment rental	5,464,217	313,853	219,379	68,821	269,937
User fees	3,043,777	39,107	5,403,988	--	676,516
Interest charges to users	--	29,888	--	--	--
Other	1,754	--	--	--	--
Total Operating Revenues	8,509,748	382,848	5,623,367	68,821	946,453
Operating Expenses:					
Liability claims and loss adjustment	--	--	--	--	--
Salaries and benefits	2,170,356	--	886,872	--	--
Professional services	320,287	--	119,432	--	86,492
Cost of services	4,055,898	28,377	4,359,489	--	685,923
Supplies	103,913	11,129	6,573	--	--
Depreciation and amortization	1,517,321	749,165	333,583	67,026	393,315
Miscellaneous	72	--	--	--	--
Total Operating Expenses	8,167,847	788,671	5,705,949	67,026	1,165,730
Operating Income (Loss)	341,901	(405,823)	(82,582)	1,795	(219,277)
Non-Operating Revenues (Expenses):					
Gain (loss) on sale of equipment	(212,226)	--	--	--	--
Aid from other governmental agencies	151,793	--	--	--	--
Interest income	436,192	14,821	77,965	11,778	37,970
Interest expense	--	(43,436)	--	(33,614)	(20,680)
Insurance recovery	65,859	--	--	--	--
Total Non-Operating Revenues (Expenses)	441,618	(28,615)	77,965	(21,836)	17,290
Net Income (Loss) Before Contributions	783,519	(434,438)	(4,617)	(20,041)	(201,987)
Contributions/capital grants	8,041	--	--	--	--
Transfers in	360,257	105,412	12,519	--	17,546
Transfers out	(71)	--	(2,898)	--	--
Change in Net Assets	1,151,746	(329,026)	5,004	(20,041)	(184,441)
Net Assets - Beginning of Year	14,694,831	978,361	2,499,437	400,468	4,080,045
Net Assets - End of Year	$ 15,846,577	$ 649,335	$ 2,504,441	$ 380,427	$ 3,895,604

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets (continued)
Internal Service Funds
For the Year Ended June 30, 2006

	Copier/ Credit Card	Casualty Insurance	Workers' Compensation Insurance	Medical Insurance
Operating Revenues:				
Charges for services	$ --	$ 8,458,009	$ 13,997,750	$ 46,319,282
Equipment rental	--	--	--	--
User fees	5,738,089	--	--	359,961
Interest charges to users	--	--	--	--
Other	18,550	--	--	--
Total Operating Revenues	5,756,639	8,458,009	13,997,750	46,679,243
Operating Expenses:				
Liability claims and loss adjustment	--	5,568,987	10,678,453	41,273,146
Salaries and benefits	--	--	--	--
Professional services	24,937	1,102,738	99,981	106,695
Cost of services	5,775,706	1,822,038	4,029,991	1,251,052
Supplies	--	7,059	10,048	--
Depreciation and amortization	--	--	1,155	--
Miscellaneous	--	--	--	--
Total Operating Expenses	5,800,643	8,500,822	14,819,628	42,630,893
Operating Income (Loss)	(44,004)	(42,813)	(821,878)	4,048,350
Non-Operating Revenues (Expenses):				
Gain (loss) on sale of equipment	--	--	--	--
Aid from other governmental agencies	--	--	--	--
Interest income	30,426	553,933	1,140,888	795,449
Interest expense	--	(112,848)	--	--
Insurance recovery	--	--	--	--
Total Non-Operating Revenues (Expenses)	30,426	441,085	1,140,888	795,449
Net Income (Loss) Before Contributions	(13,578)	398,272	319,010	4,843,799
Contributions/capital grants	--	--	--	--
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Change in Net Assets	(13,578)	398,272	319,010	4,843,799
Net Assets - Beginning of Year	477,698	472,023	1,501,820	10,603,449
Net Assets - End of Year	$ 464,120	$ 870,295	$ 1,820,830	$ 15,447,248

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets (continued)
Internal Service Funds
For the Year Ended June 30, 2006

	Dental Insurance	Unemployment Insurance	Total
Operating Revenues:			
Charges for services	$ 5,286,435	$ 1,972,357	$ 76,033,833
Equipment rental	--	--	6,336,207
User fees	--	--	15,261,438
Interest charges to users	--	--	29,888
Other	--	--	20,304
Total Operating Revenues	5,286,435	1,972,357	97,681,670
Operating Expenses:			
Liability claims and loss adjustment	4,688,381	817,513	63,026,480
Salaries and benefits	--	--	3,057,228
Professional services	346	6,805	1,867,713
Cost of services	54,306	1,985	22,064,765
Supplies	--	--	138,722
Depreciation and amortization	--	--	3,061,565
Miscellaneous	--	--	72
Total Operating Expenses	4,743,033	826,303	93,216,545
Operating Income (Loss)	543,402	1,146,054	4,465,125
Non-Operating Revenues (Expenses):			
Gain (loss) on sale of equipment	--	--	(212,226)
Aid from other governmental agencies	--	--	151,793
Interest income	58,186	69,988	3,227,596
Interest expense	--	--	(210,578)
Insurance recovery	--	--	65,859
Total Non-Operating Revenues (Expenses)	58,186	69,988	3,022,444
Net Income (Loss) Before Contributions	601,588	1,216,042	7,487,569
Contributions/capital grants	--	--	8,041
Transfers in	--	--	495,734
Transfers out	--	--	(2,969)
Change in Net Assets	601,588	1,216,042	7,988,375
Net Assets - Beginning of Year	172,654	841,392	36,722,178
Net Assets - End of Year	$ 774,242	$ 2,057,434	$ 44,710,553

COUNTY OF SAN JOAQUIN

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Fleet Services	Office Automation	Central Telephone	Southern Water System
Cash Flows from Operating Activities:				
Cash received from customers	$ 8,414,057	$ 371,967	$ 5,605,566	$ --
Cash payments to suppliers for goods and services	(3,831,111)	--	(4,159,585)	--
Cash payments to employees for services	(2,218,144)	--	(912,408)	--
Cash paid to County departments for services	(760,792)	(15,953)	(343,341)	--
Other operating revenues	157,063	29,888	--	79,090
Net Cash Provided (Used) by Operating Activities	1,761,073	385,902	190,232	79,090
Cash flows from noncapital financing activities:				
Transfers in (out)	360,186	105,412	9,621	--
State and federal grant receipts	151,792	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	511,978	105,412	9,621	--
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,550,181)	(153,361)	(17,654)	--
Debt interest payments	--	(31,406)	--	(33,615)
Debt principal payments	--	(399,697)	--	(23,720)
Proceeds from sale of capital assets	72,761	--	--	--
Receipts from insurance recovery	65,859	--	--	--
Net Cash Provided (Used) by Capital Financing Activities	(1,411,561)	(584,464)	(17,654)	(57,335)
Cash flows from investing activities:				
Interest received	372,946	12,271	67,179	9,922
Net Cash Provided by Investing Activities	372,946	12,271	67,179	9,922
Increase (Decrease) in Cash and Cash Equivalents	1,234,436	(80,879)	249,378	31,677
Cash and Cash Equivalents, Beginning of Year	9,367,310	326,073	1,835,035	257,715
Cash and Cash Equivalents, End of Year	$ 10,601,746	$ 245,194	$ 2,084,413	$ 289,392

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2006

	Radio Communi-cations	Copier/ Credit Card	Casualty Insurance	Workers' Compensation Insurance
Cash Flows from Operating Activities:				
Cash received from customers	$ 543,361	$ 5,623,784	$ 8,470,064	$ 13,997,750
Cash payments to suppliers for goods and services	(721,748)	(5,315,122)	(7,387,253)	(7,785,013)
Cash payments to employees for services	--	--	--	--
Cash paid to County departments for services	(57,798)	(65,372)	(1,089,165)	(1,428,512)
Other operating revenues	--	--	29,749	--
Net Cash Provided (Used) by Operating Activities	(236,185)	243,290	23,395	4,784,225
Cash flows from noncapital financing activities:				
Transfers in (out)	17,546	--	--	--
State and federal grant receipts	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	17,546	--	--	--
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(51,899)	--	--	--
Debt interest payments	(10,498)	--	(86,000)	--
Debt principal payments	(25,967)	--	(46,115)	--
Proceeds from sale of capital assets	--	--	--	--
Receipts from insurance recovery	--	--	--	--
Net Cash Provided (Used) by Capital Financing Activities	(88,364)	--	(132,115)	--
Cash flows from investing activities:				
Interest received	31,997	26,096	468,440	965,209
Net Cash Provided by Investing Activities	31,997	26,096	468,440	965,209
Increase (Decrease) in Cash and Cash Equivalents	(275,006)	269,386	359,720	5,749,434
Cash and Cash Equivalents, Beginning of Year	1,029,649	765,130	13,411,054	18,542,619
Cash and Cash Equivalents, End of Year	$ 754,643	$ 1,034,516	$ 13,770,774	$ 24,292,053

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2006

	Medieal Insurance	Dental Insuranee	Unemployment Insurance	Totals
Cash Flows from Operating Activities:				
Cash received from customers	$ 48,437,200	$ 5,472,102	$ 2,039,292	$ 98,975,143
Cash payments to suppliers for goods and services	(40,854,164)	(4,492,047)	(936,513)	(75,482,556)
Cash payments to employees for services	--	--	--	(3,130,552)
Cash paid to County departments for services	(619,897)	(54,651)	(8,790)	(4,444,271)
Other operating revenues	--	--	--	295,790
Net Cash Provided (Used) by Operating Activities	6,963,139	925,404	1,093,989	16,213,554
Cash flows from noncapital financing activities:				
Transfers in (out)	--	--	--	492,765
State and federal grant receipts	--	--	--	151,792
Net Cash Provided (Used) by Noncapital Financing Activities	--	--	--	644,557
Cash flows from eapital and related financing activities:				
Acquisition of capital assets	--	--	--	(1,773,095)
Debt interest payments	--	--	--	(161,519)
Debt principal payments	--	--	--	(495,499)
Proceeds from sale of capital assets	--	--	--	72,761
Receipts from insurance recovery	--	--	--	65,859
Net Cash Provided (Used) by Capital Financing Activities	--	--	--	(2,291,493)
Cash flows from investing activities:				
Interest received	639,797	45,557	51,971	2,691,385
Net Cash Provided by Investing Activities	639,797	45,557	51,971	2,691,385
Increase (Decrease) in Cash and Cash Equivalents	7,602,936	970,961	1,145,960	17,258,003
Cash and Cash Equivalents, Beginning of Year	13,393,030	868,257	1,100,676	60,896,548
Cash and Cash Equivalents, End of Year	$ 20,995,966	$ 1,839,218	$ 2,246,636	$ 78,154,551

COUNTY OF SAN JOAQUIN

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2006

	Fleet Services	Office Automation	Central Telephone	Southern Water System
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 341,901	$ (405,823)	$ (82,582)	$ 1,795
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,517,321	749,165	333,583	67,026
(Increase) decrease in accounts receivable	38,028	19,007	(17,801)	10,269
(Increase) decrease in inventories	(94,086)	--	(17,503)	--
Increase (decrease) in accounts payable	(42,091)	(4,867)	(25,308)	--
(Increase) decrease in prepaid expenses	--	28,420	(157)	--
Increase (decrease) in claims liability	--	--	--	--
Net Cash Provided (Used) by Operating Activities	$ 1,761,073	$ 385,902	$ 190,232	$ 79,090

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2006

	Radio Communi-cations	Copier/ Credit Card	Casualty Insurance	Workers' Compensation Insurance
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (219,277)	$ (44,004)	$ (42,813)	$ (821,878)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	393,315	--	--	1,155
(Increase) decrease in accounts receivable	(403,091)	(66,731)	7,711	29,716
(Increase) decrease in inventories	--	--	--	--
Increase (decrease) in accounts payable	(7,132)	281,104	(370,649)	41,232
(Increase) decrease in prepaid expenses	--	72,921	(354,854)	--
Increase (decrease) in claims liability	--	--	784,000	5,534,000
Net Cash Provided (Used) by Operating Activities	$ (236,185)	$ 243,290	$ 23,395	$ 4,784,225

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2006

	Medical Insurance	Dental Insurance	Unemployment Insurance	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 4,048,350	$ 543,402	$ 1,146,054	$ 4,465,125
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	--	--	--	3,061,565
(Increase) decrease in accounts receivable	1,979,697	185,667	66,935	1,849,407
(Increase) decrease in inventories	--	--	--	(111,589)
Increase (decrease) in accounts payable	(128,470)	98,852	--	(157,329)
(Increase) decrease in prepaid expenses	--	--	--	(253,670)
Increase (decrease) in claims liability	1,063,562	97,483	(119,000)	7,360,045
Net Cash Provided (Used) by Operating Activities	$ 6,963,139	$ 925,404	$ 1,093,989	$ 16,213,554

PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are used to report various federal-sponsored community development loan programs and other private trust agreements. None of the resourccs of these funds are used to support government programs.

COUNTY OF SAN JOAQUIN

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
June 30, 2006

	Sammie Hay	Industrial Revolving Loan Fund	Home Investment Trust Local Account	Rehabilitation Loan Program	Disaster Recovery Initiative Program	Total
Assets						
Cash and investments	$ 967,271	$ --	$ 4,588,661	$ 3,650,479	$ 63,697	$ 9,270,108
Cash and investments held by others	--	4,324,484	--	--	--	4,324,484
Investment income receivables	11,658	20,056	--	35,892	--	67,606
Due from other governments	--	--	--	--	38,657	38,657
Loans receivable	--	4,533,453	11,500,318	7,907,328	118,647	24,059,746
Total Assets	$ 978,929	$ 8,877,993	$ 16,088,979	11,593,699	$ 221,001	$ 37,760,601
Liabilities						
Accounts payable	$ 11,147	$ 813	$ 183,850	$ 16,872	$ --	$ 212,682
Deferred revenues	--	--	--	229,548	--	229,548
Total Liabilities	11,147	813	183,850	246,420	--	442,230
Net Assets						
Held in trust for:						
Revolving loans	--	8,877,180	15,905,129	11,347,279	221,001	36,350,589
Other purposes	967,782	--	--	--	--	967,782
Total Net Assets	967,782	8,877,180	15,905,129	11,347,279	221,001	37,318,371
Total Liabilities and Net Assets	$ 978,929	$ 8,877,993	$ 16,088,979	$ 11,593,699	$ 221,001	$ 37,760,601

COUNTY OF SAN JOAQUIN

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2006

	Sammie Hay	Industrial Revolving Loan Fund	Home Investment Trust Local Account	Rehabilitation Loan Program	Disaster Recovery Initiative Loan Program	Total
Additions:						
Contributions from other governments	$ --	$ --	$ 1,556,148	$ 1,164,208	$ --	$ 2,720,356
Investment income	40,178	63,602	2,169	105,554	56	211,559
Loan income	--	639,666	110,456	120,313	--	870,435
Miscellaneous income	--	68,967	178,670	2,450	84	250,171
Total additions	40,178	772,235	1,847,443	1,392,525	140	4,052,521
Deductions:						
Benefit payments	54,121	--	--	--	--	54,121
Program expenses	--	21,704	235,191	202,845		459,740
Allowance for loan adjustments	--	87,867	18,496	--	--	106,363
Loan servicing fees	--	20,063	--	--	--	20,063
Administrative expenses	--	560,179	272,790	121,640	11	954,620
Total deductions	54,121	689,813	526,477	324,485	11	1,594,907
Change in net assets	(13,943)	82,422	1,320,966	1,068,040	129	2,457,614
Net assets, beginning	981,725	8,794,758	14,584,163	10,279,239	220,872	34,860,757
Net assets, ending	$ 967,782	$ 8,877,180	$ 15,905,129	$ 11,347,279	$ 221,001	$ 37,318,371

AGENCY FUNDS

Agency Funds are used to account for the assets and the related liabilities of various clearing accounts for which the County's role is purely custodial.

COUNTY OF SAN JOAQUIN

Statement of Changes in Assets and Liabilities
Arising From Cash Transactions
All Agency Funds
For the Year Ended June 30, 2006

	June 30, 2005	Additions	Deductions	June 30, 2006
Assets				
Cash and investments - pooled	$ 48,544,274	$ 586,290,387	$ 595,437,844	$ 39,396,817
Cash and investments held by others	1,907,556	15,443,467	12,082,305	5,268,718
Receivables	31,508,631	23,380,079	29,788,973	25,099,737
Loans receivable	10,000,000	23,000,000	--	33,000,000
Other assets	21,310	508,654	--	529,964
Total Assets	$ 91,981,771	$ 648,622,587	$ 637,309,122	$ 103,295,236
Liabilities				
Accounts payable	$ 40,120,126	$ 15,834,321	$ 56,710,615	$ (756,168)
Due to other agencies	51,841,645	703,634,015	651,444,256	104,031,404
Loan payable	20,000	--	--	20,000
Total Liabilities	$ 91,981,771	$ 719,468,336	$ 708,154,871	$ 103,295,236

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT FUNDS

Mountain House Community Services District Funds provide an overall financial picture of the District as a whole. It presents both the general operational funds and the utility enterprise funds at the basic fund level and the district-wide level. The general operational funds are reported as governmental funds and the utility enterprise funds are reported as business-like funds. The reconciliation from the governmental funds on the basie fund level to the district-wide level is presented in the face of the financial statements.

COUNTY OF SAN JOAQUIN

Combining Statement of Fund Net Assets
Mountain House Community Services District
As of June 30, 2006

	Fund-based Special Revenue Funds			
	Operating Fund	Builders Fee Funds	Developers Fund	Total Special Revenue Funds
Assets				
Current Assets:				
Cash and investments	$ 2,986,889	$ 1,603,373	$ (493,575)	$ 4,096,687
Interest receivable	60,314	19,728	9,775	89,817
Taxes receivable	29,507	--	--	29,507
Accounts receivable	--	--	2,763,990	2,763,990
Total Current Assets	3,076,710	1,623,101	2,280,190	6,980,001
Non-current Assets:				
Capital Assets:				
Non-depreciable	--	--	--	--
Depreciable, net				
Public infrastructure	--	--	--	--
General assets	--	--	--	--
Total Noncurrent Assets	--	--	--	--
Total Assets	$ 3,076,710	$ 1,623,101	$ 2,280,190	$ 6,980,001
Liabilities				
Current Liabilities:				
Accounts payable	$ 124,223	$ --	$ 1,003,020	$ 1,127,243
Accrued payroll	22,839	--	--	22,839
Due to other funds	91,978	--	--	91,978
Compensated absences-current	87,373	--	--	87,373
Compensated absences-noncurrent	--	--	--	--
Deferred tax revenues	29,627	--	--	29,627
Current portion of notes payable	--	--	--	--
Total Liabilities	356,040	--	1,003,020	1,359,060
Fund Balances/Net Assets				
Invested in capital assets, net of related debt	--	--	--	--
Reserve for encumbrances	254,358	--	3,410,568	3,664,926
Designated	--	--	27	27
Undesignated	2,466,312	1,623,101	(2,133,425)	1,955,988
Total Fund Balances/Net Assets	2,720,670	1,623,101	1,277,170	5,620,941
Total Liabilities and Net Assets	$ 3,076,710	$ 1,623,101	$ 2,280,190	$ 6,980,001

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Fund Net Assets (continued)
Mountain House Community Services District
As of June 30, 2006

			Total - District Wide		
		Adjustments from Fund based to Districtwide	Government Funds (Special Revenue)	Business-Type Funds Utility Services	Total
Assets					
Current Assets:					
Cash and investments		$ --	$ 4,096,687	$ 928,500	$ 5,025,187
Interest receivable		--	89,817	8,675	98,492
Taxes receivable		--	29,507	--	29,507
Accounts receivable		--	2,763,990	--	2,763,990
Total Current Assets		--	6,980,001	937,175	7,917,176
Non-current Assets:					
Capital Assets:					
Non-depreciable		3,841,968	3,841,968	--	3,841,968
Depreciable, net					
Public infrastructure	(1)	168,621,508	168,621,508	173,683,424	342,304,932
General assets		23,193	23,193	6,462	29,655
Total Noncurrent Assets		172,486,669	172,486,669	173,689,886	346,176,555
Total Assets		$ 172,486,669	$ 179,466,670	$ 174,627,061	$ 354,093,731
Liabilities					
Current Liabilities:					
Accounts payable		$ --	$ 1,127,243	$ 367,955	$ 1,495,198
Accrued payroll		--	22,839	--	22,839
Due to other funds		--	91,978	--	91,978
Compensated absences-current		--	87,373	--	87,373
Compensated absences-noncurrent	(2)	14,876	14,876	--	14,876
Deferred tax revenues	(3)	(29,627)	--	--	--
Current portion of notes payable	(4)	117,395,477	117,395,477	118,048,155	235,443,632
Total Liabilities		117,380,726	118,739,786	118,416,110	237,155,896
Fund Balances/Net Assets					
Invested in capital assets, net of related debt		(2,226,028)	(2,226,028)	55,642,933	53,416,905
Reserve for encumbrances		(3,664,926)	--	--	--
Designated		--	27	--	27
Undesignated		58,770,869	60,726,857	56,210,951	116,937,808
Total Fund Balances/Net Assets		55,105,943	60,726,884	56,210,951	116,937,835
Total Liabilities and Net Assets		$ 172,486,669	$ 179,466,670	$ 174,627,061	$ 354,093,731

Notes:

The adjustments from fund based statement to district wide statement:

(1) Record the capital assets and the related accumulated depreciation.

(2) Recognize long-term unpaid compensated absence liability.

(3) Recognize tax revenues not received within 60 days.

(4) Recognize the long-term notes payable to the district developers.

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Mountain House Community Services District
For the Year Ended June 30, 2006

	Fund-based Special Revenue Funds			
	Operating Fund	Builders Fee Funds	Developers Fund	Total Special Revenue Funds
Revenues:				
Taxes	$ 1,031,247	$ --	$ --	$ 1,031,247
Licenses and permits	105,159	--	259,676	364,835
Aid from other governmental agencies	14,277	--	--	14,277
Use of money and property	152,861	58,986	7,975	219,822
Charges for services	2,380,783	1,670,768	1,903,203	5,954,754
Miscellaneous	1,636,010	--	4,086,939	5,722,949
Total Operating Revenues	5,320,337	1,729,754	6,257,793	13,307,884
Operating Expenses:				
Current:				
Public ways and facilities	3,872,342	--	5,256,821	9,129,163
Capital Outlay	5,027	--	--	5,027
Depreciation	--	--	--	--
Total Operating Expenses	3,877,369	--	5,256,821	9,134,190
Operating Income (Loss)	1,442,968	1,729,754	1,000,972	4,173,694
Other Financing Sources (Uses):				
Capital contributions	--	--	--	--
Transfers between special revenue accounts	436,726	(308,216)	(128,510)	--
Transfers in	--	--	--	--
Transfers out	(493,231)	--	--	(493,231)
Total Other Financing Sources (Uses)	(56,505)	(308,216)	(128,510)	(493,231)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	1,386,463	1,421,538	872,462	3,680,463
Net Assets - Beginning of Year	1,334,207	201,563	404,708	1,940,478
Net Assets - End of Year	$ 2,720,670	$ 1,623,101	$ 1,277,170	$ 5,620,941

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)
Mountain House Community Services District
For the Year Ended June 30, 2006

		Adjustments from Fund based to Districtwide	Total - District Wide: Government Funds Special Revenue	Total - District Wide: Business-Type Funds Utility Services	Total - District Wide: Total
Revenues:					
Taxes	(1)	$ 15,159	$ 1,046,406	$ --	$ 1,046,406
Licenses and permits		--	364,835	--	364,835
Aid from other governmental agencies		--	14,277	--	14,277
Use of money and property		--	219,822	20,351	240,173
Charges for services		--	5,954,754	2,277,011	8,231,765
Miscellaneous		--	5,722,949	51,322	5,774,271
Total Operating Revenues		15,159	13,323,043	2,348,684	15,671,727
Operating Expenses:					
Current:					
Public ways and facilities	(2)	5,421,512	14,550,675	1,543,477	16,094,152
Capital Outlay		--	5,027	--	5,027
Depreciation			--	7,043,499	7,043,499
Total Operating Expenses		5,421,512	14,555,702	8,586,976	23,142,678
Operating Income (Loss)		(5,406,353)	(1,232,659)	(6,238,292)	(7,470,951)
Other Financing Sources (Uses):					
Capital contributions		--	--	61,956,196	61,956,196
Transfers between special revenue accounts		--	--	--	--
Transfers in		--	--	493,047	493,047
Transfers out	(3)	(4,795,207)	(5,288,438)	--	(5,288,438)
Total Other Financing Sources (Uses)		(4,795,207)	(5,288,438)	62,449,243	57,160,805
Excess of Revenues and Other Financing Sources Over (Under) Expenditures		(10,201,560)	(6,521,097)	56,210,951	49,689,854
Net Assets - Beginning of Year		65,307,503	67,247,981	--	67,247,981
Net Assets - End of Year		$ 55,105,943	$ 60,726,884	$ 56,210,951	$ 116,937,835

Notes:
The adjustments from fund based statement to district wide statement:
(1) Recognize the property tax revenues not received within 60 days.
(2) Recognize the long-term portion of the unpaid compensated balances.
Capital expenditures were capitalized on the District-wide statement, with the uncapitalized expenditures being classified as maintenance expenditures.
Record the depreciation expense on district-wide statements.
Record the transfer of the capitalized items to the District's enterprise Fund.
(3) The transfer of capital assets from governmental fund group to the Business-Like fund group was included in the Capital Contriubtion shown in the detailed statement of changes in net assets for the Enterprise funds.

COUNTY OF SAN JOAQUIN

Combining Statement of Fund Net Assets
Mountain House Community Services District
Utility Enterprise Funds
As of June 30, 2006

	Water Fund	Water Pledged Fund	Wastewater	Wastewater Pledged Fund
Assets				
Cash	$ 356,172	$ 110,151	$ --	$ 88,883
Market value appreciation	(20)	(6)	--	(5)
Cash and investments at market value	356,152	110,145	--	88,878
Interest receivable	3,383	817	--	659
Capital Asset:				
Depreciable, net of accumulated depreciation:				
Public infrastructure	--	94,764,482	--	55,788,565
General assets	6,462	--	--	--
Total Assets	$ 365,997	$ 94,875,444	$ --	$ 55,878,102
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$ 92,172	$ 108,201	$ 50,663	$ 87,223
Notes payable - noncurrent	--	36,366,010	--	57,713,325
Total Liabilities	92,172	36,474,211	50,663	57,800,548
Net Assets				
Invested in capital assets, net of related debt	6,462	58,398,472	--	(1,924,760)
Unreserved	267,363	2,761	(50,663)	2,314
Total Fund Balances/Net Assets	273,825	58,401,233	(50,663)	(1,922,446)
Total Liabilities and Net Assets	$ 365,997	$ 94,875,444	$ --	$ 55,878,102

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Fund Net Assets (continued)
Mountain House Community Services District
Utility Enterprise Funds
As of June 30, 2006

	Storm Fund	Storm Pledged Fund	Total Utility Enterprise Fund
Assets			
Cash	$ 349,205	$ 24,140	$ 928,551
Market value appreciation	(19)	(1)	(51)
Cash and investments at market value	349,186	24,139	928,500
Interest receivable	3,639	177	8,675
Capital Asset:			
Depreciable, net of accumulated depreciation:			
Public infrastructure	--	23,130,377	173,683,424
General assets	--	--	6,462
Total Assets	$ 352,825	$ 23,154,693	$ 174,627,061
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$ 5,569	$ 24,128	$ 367,956
Notes payable - noncurrent	--	23,968,819	118,048,154
Total Liabilities	5,569	23,992,947	118,416,110
Net Assets			
Invested in capital assets, net of related debt	--	(838,442)	55,641,732
Unreserved	347,256	188	569,219
Total Fund Balances/Net Assets	347,256	(838,254)	56,210,951
Total Liabilities and Net Assets	$ 352,825	$ 23,154,693	$ 174,627,061

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Mountain House Community Services District
Utility Enterprise Funds
For the Year Ended June 30, 2006

	Water Fund	Water Pledged Fund	Wastewater	Wastewater Pledged Fund
Revenues:				
Charges for services	$ 844,686	$ 362,083	$ 332,886	$ 290,932
Miscellaneous	51,322	--	--	--
Total Operating Revenues	896,008	362,083	332,886	290,932
Operating Expenses:				
Current:				
Professional services	7,594	--	5,509	--
Enterprise services costs	325,771	--	333,221	--
Road maintenance	--	--	--	--
Utilities	217,418	--	66,550	--
Maintenance-equipment and buildings	20,970	--	24,902	--
Insurance	19,507	--	--	--
County services	157	--	145	--
Indirect cost charges	134,267	--	237,846	--
Depreciation	1,202	3,910,243	--	2,214,079
Total Operating Expenses	726,886	3,910,243	668,173	2,214,079
Operating Income (Loss)	169,122	(3,548,160)	(335,287)	(1,923,147)
Non-Operating Revenues (Expenses):				
Interest income	10,246	862	(17)	701
Total Non-Operating Revenues (Expenses):	10,246	862	(17)	701
Transfers and Contributions/Capital Grants				
Contributions/Capital Grants	94,457	61,796,782	(56,657)	--
Transfers in	--	151,749	341,298	--
Change in Net Assets	273,825	58,401,233	(50,663)	(1,922,446)
Net Assets - Beginning of Year	--	--	--	--
Net Assets - End of Year	$ 273,825	$58,401,233	$ (50,663)	$ (1,922,446)

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets (continued)
Mountain House Community Services District
Utility Enterprise Funds
For the Year Ended June 30, 2006

	Storm Fund	Storm Pledged Fund	Total Utility Enterprise Fund
Revenues:			
Charges for services	$ 366,891	$ 79,533	$ 2,277,011
Miscellaneous	--	--	51,322
Total Operating Revenues	366,891	79,533	2,328,333
Operating Expenses:			
Current:			
Professional services	12,688	--	25,791
Enterprise services costs	102,972	--	761,964
Road maintenance	21,120	--	21,120
Utilities	--	--	283,968
Maintenance-equipment and buildings	1,205	--	47,077
Insurance	--	--	19,507
County services	127	--	429
Indirect cost charges	11,508	--	383,621
Depreciation	--	917,975	7,043,499
Total Operating Expenses	149,620	917,975	8,586,976
Operating Income (Loss)	217,271	(838,442)	(6,258,643)
Non-Operating Revenues (Expenses):			
Interest income	8,371	188	20,351
Total Non-Operating Revenues (Expenses):	8,371	188	20,351
Transfers and Contributions/Capital Grants			
Contributions/Capital Grants	121,614	--	61,956,196
Transfers in	--	--	493,047
Change in Net Assets	347,256	(838,254)	56,210,951
Net Assets - Beginning of Year	--	--	--
Net Assets - End of Year	$ 347,256	$ (838,254)	$ 56,210,951

COUNTY OF SAN JOAQUIN

Combining Statement of Cash Flows
Mountain House Community Services District
Utility Enterprise Funds
For the Year Ended June 30, 2006

	Water Fund	Water Pledged Fund	Wastewater	Wastewater Pledged Fund
Cash Flows from Operating Activities:				
Cash received from customers	$ 896,005	$ 362,083	$ 332,886	$ 290,932
Cash payments to suppliers for goods and services	(633,352)	--	(617,365)	--
Cash payments to other departments for goods and services	(157)	--	(145)	--
Net Cash Provided (Used) by Operating Activities	262,496	362,083	(284,624)	290,932
Cash flows from noncapital financing activities:				
Transfers in (out)	--	151,749	341,298	--
Cash Flows from Noncapital Financing Activities	--	151,749	341,298	--
Cash flows from capital financing activities:				
Capital contributions received	94,769	--	284,641	--
Acquisition and construction of capital assets	(8,411)	(151,749)	(341,298)	--
Principal payment on debts	--	(251,983)	--	(202,096)
Interest payments on debts	--	--	--	--
Cash Flows from Capital Financing Activities	86,358	(403,732)	(56,657)	(202,096)
Cash flows from investing activities:				
Earnings on investment	7,298	45	(17)	42
Net Cash Flows from Investing Activities	7,298	45	(17)	42
Increase (Decrease) in Cash and Cash Equivalents	356,152	110,145	--	88,878
Cash and Cash Equivalents, Beginning of Year	--	--	--	--
Cash and Cash Equivalents, End of Year	$ 356,152	$ 110,145	$ --	$ 88,878
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating Income (Loss)	$ 169,122	$ (3,548,160)	$ (335,287)	$ (1,923,147)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,202	3,910,243	--	2,214,079
Changes in assets and liabilities:				
Increase/(decrease) in payables	92,172	--	50,663	--
Total Adjustments	93,374	3,910,243	50,663	2,214,079
Net Cash Provided (Used) by Operating Activities	$ 262,496	$ 362,083	$ (284,624)	$ 290,932

continued

COUNTY OF SAN JOAQUIN

Combining Statement of Cash Flows (continued)
Mountain House Community Services District
Utility Enterprise Funds
For the Year Ended June 30, 2006

	Storm Fund	Storm Pledged Fund	Total Utility Enterprise Fund
Cash Flows from Operating Activities:			
Cash received from customers	$ 366,891	$ 79,533	$ 2,328,330
Cash payments to suppliers for goods and services	(143,924)	--	(1,394,641)
Cash payments to other departments for goods and services	(127)	--	(429)
Net Cash Provided (Used) by Operating Activities	222,840	79,533	933,260
Cash flows from noncapital financing activities:			
Transfers in (out)	--	--	493,047
Cash Flows from Noncapital Financing Activities	--	--	493,047
Cash flows from capital financing activities:			
Capital contributions received	120,979	--	500,389
Acquisition and construction of capital assets	--	--	(501,458)
Principal payment on debts	--	(55,404)	(509,483)
Interest payments on debts	--	--	--
Cash Flows from Capital Financing Activities	120,979	(55,404)	(510,552)
Cash flows from investing activities:			
Earnings on investment	5,367	10	12,745
Net Cash Flows from Investing Activities	5,367	10	12,745
Increase (Decrease) in Cash and Cash Equivalents	349,186	24,139	928,500
Cash and Cash Equivalents, Beginning of Year	--	--	--
Cash and Cash Equivalents, End of Year	$ 349,186	$ 24,139	$ 928,500
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating Income (Loss)	$ 217,271	$ (838,442)	$ (6,258,643)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	--	917,975	7,043,499
Changes in assets and liabilities:			
Increase/(decrease) in payables	5,569	--	148,404
Total Adjustments	5,569	917,975	7,191,903
Net Cash Provided (Used) by Operating Activities	$ 222,840	$ 79,533	$ 933,260

STATISTICAL SECTION –
FINANCIAL ONLY

COUNTY OF SAN JOAQUIN

Changes in Net Assets, Last Five Fiscal Years
For the Year Ended June 30, 2006

	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses:					
Governmental activities:					
General government	$ 25,732,859	$ 27,912,118	$ 30,779,313	$ 38,795,621	$ 34,228,773
Public protection	230,090,340	209,655,788	202,926,413	190,662,044	188,040,521
Public ways and facilities	50,441,051	41,946,734	39,656,503	34,232,728	32,655,358
Health and sanitation	119,566,506	113,805,931	114,164,687	108,020,461	95,671,637
Public assistance	307,459,822	286,344,969	262,306,099	259,868,711	250,800,994
Education	5,865,222	5,670,639	4,141,557	4,224,248	4,075,421
Culture and recreation	5,580,859	5,151,479	4,851,047	4,892,440	4,516,643
Interest on long-term debt	4,040,221	3,301,400	3,602,597	3,767,117	3,687,949
Total governmental activities expenses	748,776,880	693,789,058	662,428,216	644,463,370	613,677,296
Business-type activities:					
Solid Waste	17,685,787	19,128,619	18,258,876	14,761,783	14,819,128
Hospital	189,776,046	171,184,362	158,342,874	160,106,702	152,420,720
Airport	3,663,416	3,492,808	2,877,679	2,567,318	2,741,807
Mountain House Distroct-Water/wasterwtr	9,316,012	--	--	--	--
Total business-type activities expenses	220,441,261	193,805,789	179,479,429	177,435,803	169,981,655
Total primary government expenses	969,218,141	887,594,847	841,907,645	821,899,173	783,658,951
Program Revenues:					
Governmental activities:					
Charges for services					
General government	20,161,576	13,147,165	12,902,374	8,038,035	12,303,088
Public protection	50,135,663	47,004,966	45,568,340	40,848,887	32,451,657
Public ways and facilities	9,713,552	8,084,373	14,917,746	11,129,767	19,852,028
Community infrastructure pro	3,922,438	2,744,572	--	--	3,082,241
Mountain House service district	6,816,337	7,617,175	--	--	--
Health & sanitation	29,049,369	32,172,418	33,432,777	35,571,727	31,870,685
Children & families act program	--	--	--	--	965,243
Public assistance	1,162,124	882,179	770,841	458,498	28,284
Education	146,925	165,664	146,494	123,384	177,849
Recreation	1,580,398	1,429,929	1,468,930	1,448,001	1,294,571
Operating grants and contribution	476,195,426	445,160,436	401,581,907	411,746,972	407,032,211
Capital grants and contribution (3)	14,389,355	6,523,968	10,343,663	75,199,646	9,601,105
Total governmental activities revenues	613,273,163	564,932,845	521,133,072	584,564,917	518,658,962
Business-type activities:					
Charges for services					
Solid Waste	19,699,066	16,397,404	14,421,249	14,189,244	12,363,704
Hospital	158,935,264	151,749,835	139,106,939	126,726,781	130,241,517
Airport	1,456,000	2,505,795	1,764,248	1,337,875	1,051,249
Mountain House Distroct-Water/wasterwtr	2,328,332	--	--	--	--
Operating grants and contribution	219,750	443,470	402,321	730,141	601,569
Capital grants and contribution (3)	57,372,734	--	6,199,257	1,784,775	521,246
Total business-type activities revenues	240,011,146	171,096,504	161,894,014	144,768,816	144,779,285
Total primary government revenues	853,284,309	736,029,349	683,027,086	729,333,733	663,438,247
Net(expenese)/revenue					
Governmental activities	(135,503,717)	(128,856,213)	(141,295,144)	(59,898,453)	(95,018,334)
Business-type activities	19,569,885	(22,709,285)	(17,585,415)	(32,666,987)	(25,202,370)
Total primary government net expense	$ (115,933,832)	$ (151,565,498)	$ (158,880,559)	$ (92,565,440)	$ (120,220,704)

continued

COUNTY OF SAN JOAQUIN

Changes in Net Assets, Last Five Fiscal Years (continued)
For the Year Ended June 30, 2006

	2005-06	2004-05	2003-04	2002-03	2001-02
General revenues and other changes in net assets					
Governmental activities:					
Property taxes	$ 185,372,303	$ 151,882,750	$ 86,669,108	$ 85,827,506	$ 77,334,414
Sales taxes	32,125,346	28,403,230	27,140,610	13,462,083	11,302,600
Motor vehicle and other in lieu taxes	5,159,327	17,446,086	37,340,881	50,010,443	42,733,916
Tobacco settlement proceeds	5,591,287	6,025,258	6,067,708	7,099,275	7,429,440
Other	8,938,958	9,140,545	7,144,766	5,722,455	4,844,335
Investment earnings	17,501,863	7,916,246	3,535,745	4,899,391	7,803,258
Miscellaneous	--	--	151,610	--	11,742
Tranfers	(39,971,492)	(24,124,551)	(20,180,124)	(20,702,077)	(22,142,220)
Extraordinary item (1)	--	--	(1,010,334)	--	--
Prior period adjustments (2)	--	9,091,468	--	4,053,340	649,415
Total governmental activities	214,717,592	205,781,032	146,859,970	150,372,416	129,966,900
Business-type activities					
Property taxes	447,221	--	--	--	650,604
Investment earnings	1,474,136	2,097,150	1,352,743	2,579,915	1,951,500
Tranfers	39,971,492	24,124,551	20,180,124	20,702,077	22,142,220
Prior period adjustments	--	--	--	--	965,197
Total business-type activities	41,892,849	26,221,701	21,532,867	23,281,992	25,709,521
Total primary government	$ 256,610,441	$ 232,002,733	$ 168,392,837	$ 173,654,408	$ 155,676,421
Changes in net assets					
Governmental activities	$ 79,213,875	$ 76,924,819	$ 5,564,826	$ 90,473,963	$ 34,948,566
Business-type activities	61,462,734	3,512,416	3,947,452	(9,384,995)	507,151
Total primary government	$ 140,676,609	$ 80,437,235	$ 9,512,278	$ 81,088,968	$ 35,455,717

(1) = The County's imposed share of the State of California's penalty assessment levied by the federal government for the State's failure to establish a State-wid automated child support collection system.

(2) = 2001-02 and 2002-03 -Funds classified as "agency fund group" previoulsy are recalssfied as an integral part of the County's governmental fund group.

(2) = 2004-05 - Reflect the capitalization of the financial and human resources computer system and the right-of-way acquistions expended in prior years.

County of San Joaquin
Fund Balances, Governmental Funds
Last Five Fiscal Years

	2005-06	2004-05	2003-04	2002-03	2001-02
General fund:					
Reserved	$ 15,070,347	$ 15,059,550	$ 16,282,303	$ 18,071,737	$ 12,977,323
Unreserved	102,807,800	54,302,437	14,809,035	26,612,224	25,299,737
Total general fund	117,878,147	69,361,987	31,091,338	44,683,961	38,277,060
All Other Governmental Funds					
Reserved	82,359,538	67,074,862	85,343,195	89,295,726	110,548,916
Unreserved, reported in:					
Special Revenue Funds	84,887,806	86,357,996	58,703,829	70,284,471	85,597,972
Capital Project Funds	15,319,173	7,616,277	1,118,684	(10,340,773)	(21,978,654)
Total all other governmental funds	182,566,517	161,049,135	145,165,708	149,239,424	174,168,234
Total, all governmental funds	$ 300,444,664	$ 230,411,122	$ 176,257,046	$ 193,923,385	$ 212,445,294

COUNTY OF SAN JOAQUIN

Legal Debt Margin Information
Last Five Years

	Fiscal year ended June 30				
	2006	2005	2004	2003	2002
Debt Limit	$ 576,919,493	$ 497,461,589	$ 440,925,627	$ 398,527,288	$ 398,527,000
Total net debt applicable to limit	29,711,144	33,342,132	33,274,766	31,623,103	32,050,536
Legal debt margin	547,208,349	464,119,457	407,650,861	366,904,185	366,476,464
Total net debt applicable to the limit as a percentage of debt limit	5.15%	6.70%	7.55%	7.93%	8.04%

Government Code Section 25371 limits the County's abilility to raise resources through the issuance of debt to finance acquisitions or construction of County facilities. The debt limit is 1 1/4% of the total assessed value

COUNTY OF SAN JOAQUIN

County of San Joaquin
Ratios of Outstanding Debt by Type,
Last Five Years

	Governmental Activities			
Fiscal Year	Certifictes of Participation	Capital Leases	Loans	Unpaid Compensated Absence
2006	$ 43,029,172	$ 1,578,874	$ 122,005,002	$ 28,759,456
2005	47,436,140	743,953	4,929,183	23,038,782
2004	51,523,204	929,104	4,320,462	22,134,256
2003	55,314,773	1,989,558	2,580,100	21,853,309
2002	58,815,190	2,304,326	3,579,100	20,351,048

continued

COUNTY OF SAN JOAQUIN

County of San Joaquin
Ratios of Outstanding Debt by Type,
Last Five Years (continued)

	Business-Type Activities				
Fiscal Year	Certifictes of Participation	Capital Leases	Loans	Unpaid Compensated Absence	Landfill Closure and Postclosure
2006	$ 109,239,109	$ 151,638	$ 118,864,360	$ 5,257,321	$ 8,685,737
2005	114,254,053	233,382	90,134	4,802,333.00	10,021,598
2004	118,788,998	311,742	92,792	5,133,855.00	6,908,034
2003	122,798,940	394,191	95,151	5,165,988.00	4,765,986
2002	107,614,109	14,194	97,244	4,422,669.00	4,740,172

continued

COUNTY OF SAN JOAQUIN

County of San Joaquin
Ratios of Outstanding Debt by Type,
Last Five Years (continued)

Fiscal Year	Total Primary Government	Per Capita	Population
2006	$ 437,574,681	$ 655	668,265
2005	205,553,568	317	648,422
2004	210,146,455	333	630,577
2003	214,962,002	350	613,490
2002	201,942,056	339	595,985

Population - January of the fiscal year

[1] = FY 2005-06, Mountain House Service District incurred long-term debt in exchange for the district infrastructure that has been transferred by the developer.

COUNTY OF SAN JOAQUIN

Changes in Fund Balances, Governmental Funds - SJC
Last 5 years
June 30, 2006

	2005-06	2004-05	2003-04	2002-03	2001-02
REVENUES					
Taxes	$ 216,269,438	$ 169,201,969	$ 112,347,258	$ 106,749,269	$ 95,800,789
Licenses and permits	9,844,592	7,407,564	7,430,313	5,388,267	4,825,994
Fines, forfeits and penalties	18,067,404	14,080,149	11,656,083	10,752,441	10,864,649
Use of money and property	14,275,552	6,611,373	3,133,097	4,668,323	12,122,232
Aid from other governmental agencies	498,014,555	475,119,794	448,488,147	454,815,250	461,871,684
Charges for services	91,903,011	85,555,433	83,232,358	78,970,076	71,208,354
Miscellaneous	15,186,059	15,277,219	14,665,287	14,016,900	16,515,994
TOTAL REVENUES	863,560,611	773,253,501	680,952,543	675,360,526	673,209,696
EXPENDITURES					
Current:					
General government	38,369,942	31,018,117	31,296,316	36,277,964	37,055,410
Public safety	215,520,350	199,948,767	194,602,048	181,895,446	179,413,886
Public ways and facilities	34,935,720	31,528,734	29,781,894	27,254,974	26,151,100
Health & sanitation	116,869,120	112,053,011	112,618,258	106,415,747	94,778,227
Public assistance	304,048,779	285,095,525	260,876,919	258,408,303	250,652,919
Education	5,803,595	5,586,424	4,018,930	4,125,295	3,989,708
Recreation	4,131,171	3,554,593	3,368,867	3,622,470	3,435,111
Capital outaly	31,683,615	25,711,923	35,030,831	46,987,741	34,141,151
Debt service:					
Principal	5,486,955	5,216,438	5,484,743	4,825,020	5,402,261
Interest	3,208,775	3,266,278	3,237,657	3,542,306	3,377,075
Total expenditures	760,058,022	702,979,810	680,316,463	673,355,266	638,396,848
Excess (deficiency) of revenues over(under) expenditures	103,502,589	70,273,691	636,080	2,005,260	34,812,848
OTHER FINANCING SOURCES(USES)					
Transfers in	47,101,771	35,711,734	24,458,294	33,598,997	35,085,473
Transfers out	(82,599,029)	(52,034,944)	(45,047,748)	(55,389,327)	(59,375,019)
Interfund interest	33,615	--	--	--	--
Loan proceeds	425,981	203,597	3,297,369	--	--
Capital grants	1,568,615	--	--	--	--
Extraordinary and special item-Fed Govt Penalty	--	--	(1,010,334)	--	--
prior periods adjustment	--	--	--	1,263,161	1,622,832
TOTAL OTHER FINANCING	(33,469,047)	(16,119,613)	(18,302,419)	(20,527,169)	(22,666,714)
Net change in fund balances	$ 70,033,542	$ 54,154,078	$ (17,666,339)	$ (18,521,909)	$ 12,146,134

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Certain provisions of the Site Lease, the Project Lease, the Assignment Agreement and the Trust Agreement (the "Principal Legal Documents"), not previously discussed in this Official Statement are summarized below. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the documents, as appropriate. Complete copies of the Principal Legal Documents are available upon request from the County.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain of the terms used in the Principal Legal Documents to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of any of the terms defined in the Principal Legal Documents:

"Additional Capital Facilities" means any capital facilities for the County that are leased to the County pursuant to an amendment to the Project Lease.

"Additional Certificates" means any certificates of participation defined as such that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

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

"Agency Agreement" means that certain Agency Agreement executed and entered into as of October 1, 1993, by and between the Corporation and the County.

"Applicable Environmental Laws" means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC Section 9601 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 USC Section 6901 et seq., the Federal Water Pollution Control Act ("WPCA"), 33 USC Section 1251 et seq., the Clean Air Act ("CAA"), 42 USC Section 7401 et seq., the California Hazardous Waste Control Law ("HWCL"), California Health and Safety Code Section 25100 et seq., the Hazardous Substance Account Act ("HSAA"), California Health and Safety Code Section 25300 et seq., the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), California Water Code Section 1300 et seq., the Air Resources Act ("ARA"), California Health and Safety Code Section 3900 et seq., and the Safe Drinking Water & Toxic Enforcement Act ("SDW & TEA"), California Health and Safety Code Section 25249.5 et seq., together with the regulations thereunder, and any other local, state and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern

(i) the existence, cleanup and/or remedy of contamination on property;

(ii) the protection of the environment from spilled, deposited or otherwise emplaced contamination;

(iii) the control of hazardous wastes; or

(iv) the use, generation, transport, treatment, removal or recovery of Hazardous Substances, including building materials.

"Assignment Agreement" means that certain Assignment Agreement executed and entered into as of October 1, 1993, by and between the Corporation and the Trustee, as originally executed and entered into and as it may from time to time be amended or supplemented.

"Base Rental Payment Date" means any date on which Base Rental Payments are scheduled to be paid under the Project Lease, being May 15 and November 15 of each year, commencing on May 15, 1994.

"Base Rental Payment Fund" means the County of San Joaquin Capital Facilities Project Base Rental Payment Fund established pursuant to the Trust Agreement.

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

"Bond Insurer" means any issuer of a bond insurance policy insuring any Certificates.

"Business Day" means any day on which the Trustee is open for corporate trust business at its Principal Corporate Trust Office and on which the Federal Reserve System is open for business.

"Capital Facilities" means the 1993 Capital Facilities and all Additional Capital Facilities.

"Capital Facility" means any one of the Capital Facilities.

"Certificate Payment Date" means, with respect to any Certificate, the May 15 or November 15 date that is the Certificate Payment Date designated therein.

"Certificates" means the Series 1993 Certificates, the Series 2007 Certificates and all Additional Certificates.

"Certification" when used with respect to the County, means an instrument in writing signed on behalf of the County by the County Administrator, or by any other officer of the County duly authorized by the Board of Supervisors of the County for the purpose of signing documents on its behalf under the Project Lease and the Trust Agreement, and by the Clerk of the Board of Supervisors of the County, with the seal of the County affixed thereto; and when used with respect to the Corporation, means an instrument in writing signed on behalf of the Corporation by the President of the Corporation, or by any other officer of the Corporation duly authorized by the Board of Directors of the Corporation for the purpose of signing documents on its behalf under the Project Lease and the Trust Agreement, and by the Secretary of the Corporation, with the seal of the Corporation affixed thereto.

"Code" means the Internal Revenue Code of 1986 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.

"Corporation" means the San Joaquin County Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and pursuant to the laws of the State of California.

"Costs of Issuance" means all costs and expenses payable by or reimbursable to the Corporation or the County that are related to the authorization, execution and delivery of the Site Lease, the Project Lease, the Assignment Agreement and the Trust Agreement and the sale, execution and initial delivery of the Certificates, including, but not limited to, costs of preparation and reproduction of documents, municipal bond insurance fees, rating agency fees, filing and recording fees, initial fees and charges of the Trustee (including fees and expenses of its counsel), financial advisory and legal fees and charges and fees and charges of other consultants and professionals, together with all fees and charges for preparation, execution and initial delivery of the Certificates, and any other cost or expense in connection with the preparation, execution and initial delivery of the certificates.

"Costs of Issuance Fund" means the County of San Joaquin Capital Facilities Project Costs of Issuance Fund established pursuant to the Trust Agreement.

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

"Escrow Agent" means U.S. Bank National Association, or its successors and assigns.

"Escrow Agreement" means the Escrow Agreement, dated as of June 1, 2007, by and among the Trustee, the Corporation and the County.

"Event of Default" means an event defined as such under the Project Lease.

"Federal Securities" means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities.

"First Amendment to Project Lease" means the First Amendment to Project Lease (County Administration Building) dated as of June 1, 2007, by and between the County and the Corporation, and approved by the Trustee, as assignee of the Corporation pursuant to the Assignment Agreement, executed and delivered in accordance with the Master Project Lease.

"First Amendment to Site Lease" means the First Amendment to Site Lease by and between the County and the Corporation, dated as of June 1, 2007, executed and delivered in accordance with the Master Site Lease.

"First Supplemental Trust Agreement" means the First Supplemental Trust Agreement, dated as of June 1, 2007, by and among the Trustee, the Corporation and the County, executed and delivered in accordance with the Trust Agreement dated as of October 1, 1993.

"Hazardous Substance" means any substance which shall, at any time, be listed as "hazardous" or "toxic" under CERCLA, RCRA, CAA, WPCA, HWCL, HSAA, the Porter-Cologne Act, ARA or SDW & TEA or in the regulations thereunder, or which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws; and also means, without limitation, raw materials, building components, the products of any manufacturing or other activities on the property, wastes, petroleum, and source, special nuclear or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC Section 3011 et seq.).

"Improvement Fund" means the County of San Joaquin Capital Facilities Project Improvement Fund established pursuant to the Trust Agreement.

"Improvements" means all capital facilities acquired and constructed by the County with the proceeds of any certificates.

"Insurance Consultant" means an individual or firm employed by the County as an independent insurance consultant, experienced in the field of risk management.

"Interest Account" means the account referred to by that name established pursuant to the Trust Agreement.

"Interest Payment Date" means a date on which interest components of the Base Rental Payments evidenced and represented by the Certificates become due and payable, being May 15 and November 15 of each year to which reference is made (commencing on May 15, 1994).

"Lien" means any mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrance on title, including, but not limited to, any mortgage or pledge of, any security interest in or any lien or encumbrance on the Project.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the County and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

"1993 Capital Facilities" means the existing County of San Joaquin Human Services Agency Building and the related parking facility and the existing County of San Joaquin Jail and Sheriff's Operating Center that have been leased to the County under and pursuant to the Project Lease as originally executed and entered into.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

"Outstanding" when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates executed and delivered thereunder except --

(1) Certificates cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Certificates paid or deemed to have been paid within the meaning of the Trust Agreement; and

(3) Certificates in lieu of and in substitution for which other Certificates shall have been executed and delivered by the Trustee under the Trust Agreement.

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

"Permitted Encumbrances" means, as of any particular time: (i) the Site Lease; (ii) the Project Lease; (iii) the Assignment Agreement; (iv) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Project Lease, make payment in installments over a period of years; (v) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law for work or services performed or materials furnished in connection with the Project which are not due and payable or which are not delinquent or the amount or validity of which is being contested in good faith and the collection of which is stayed; (vi) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which an independent architect or engineer (or other professional) certifies in writing will not materially impair the use of the Project for the purpose intended by the County; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Project Lease and to which the Corporation, the County and the Bond Insurers consent in writing, and as to which each of the Rating Agencies shall have been given written notice.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by counties including, without limitation, the provisions of California Government Code Section 5922(d):

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

(b) Farmers Home Administration (FmHA); Certificates of beneficial ownership,

(c) General Services Administration; Participation certificates,

(d) Federal Housing Administration Debentures (FHA);

(e) U.S. Maritime Administration; Guaranteed Title XI financing,

(f) U.S. Department of Housing and Urban Development (HUD); Project Notes, 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), Senior debt obligations;

(c) Federal National Mortgage Association (FNMA or "Fannie Mae"); Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which 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 which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;

(f) Farm Credit System; Consolidated systemwide 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 rated Aaa, Aa1 or Aa2; including funds offered by affiliates of the Trustee or other persons sharing an economic interest with 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 one year or less maturity. Such certificates must be issued by commercial banks, 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 certificate holders 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 FDIC, including BIF and SAIF;

(7) Investment Agreements, including Guaranteed Investment Contracts, approved in writing by the Certificate Insurer;

(8) Commercial paper rated "Prime-1 by Moody's and "A-1+" or better by S&P;

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

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" by S&P;

(11) Repurchase Agreements 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 must satisfy the following criteria:

a. <u>Repurchase Agreements must be between the municipal entity and a dealer bank or securities firm</u>

(1) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

(2) Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

b. <u>The written repurchase agreement contract must include the following:</u>

(1) Securities which are acceptable for transfer are:

(i) Direct U.S. governments, or

(ii) 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 municipal entity, 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 broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement.

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

(7) Valuation of Collateral

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

(ii) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below l04% of the value of the cash transferred by municipality, 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. <u>Legal opinion which must be delivered to the municipal entity:</u>

Repurchase agreement meets guidelines under state law for legal investment of public funds.

(12) Participation in the San Joaquin County Investment Pool;

(13) Participation in the California Asset Management Program;

(14) Forward Purchase and Sale Agreements for the purchase and delivery of Permitted Investments, approved in writing by the Certificate Insurer;

(15) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; If however, the issue is only rated 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;

(16) Participation in the Local Agency Investment Fund (LAIF); and

(17) Any other structured investment arrangement approved in writing by the Certificate Insurer.

"Prepayment Account" means the account referred to by that name established pursuant to the Trust Agreement.

"Principal Account" means the account referred to by that name established pursuant to the Trust Agreement.

"Principal Corporate Trust Office" means the principal corporate trust office of the Trustee in San Francisco, California, or such other office as may be designated in writing from time to time by the Trustee; and with respect to the delivery of any Certificates under the Trust Agreement so long as the Trustee shall be the Trustee thereunder means the office of the Trustee where such Certificates shall be delivered, addressed to the Trustee at U.S. Bank National Association, Corporate Trust Services, One California Street, Suite 2010, San Francisco, California 94111, or to such other office as may be designated in writing from time to time by the Trustee.

"Principal Payment Date" means a date on which principal components of the Base Rental Payments evidenced and represented by the Certificates become due and payable, being November 15 of each year to which reference is made.

"Project" means the Site, together with the existing buildings and facilities located thereon, that have been leased by the Corporation to the County under and pursuant to the Project Lease.

"Project Lease" means that certain Master Project Lease executed and entered into as of October 1, 1993, by and between the Corporation and the County, as originally executed and entered into and as it may from time to time be amended or supplemented as provided therein.

"Qualified Carrier" means (i) a commercial insurer rated "A" by A.M. Best or in one of the highest rating categories of S&P or Moody's, or (ii) any other insurer approved in writing by the Bond Insurer.

"Rating" means any currently effective rating on the Certificates issued by any of the Rating Agencies.

"Rating Agencies" means Moody's, S&P and any other nationally recognized rating agency selected by the County, to the extent that any of them is then rating any of the Certificates.

"Rebate Fund" means the County of San Joaquin Capital Facilities Project Rebate Fund established pursuant to the Trust Agreement.

"Rebate Requirement" means the requirement defined as such in the Tax Certificate.

"Record Date" means, with respect to the payment of interest evidenced and represented by the Certificates on any Interest Payment Date, the 1st day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Refunding Fund" means the County of San Joaquin Capital Facilities Project Refunding Fund established pursuant to the Trust Agreement.

"Rental Payments" means the Additional Rental Payments and the Base Rental Payments.

"Request" when used with respect to the County, means an instrument in writing signed on behalf of the County by the County Administrator, or by any other officer of the County duly authorized by the Board of Supervisors of the County for the purpose of signing documents on its behalf under the Trust Agreement, and when used with respect to the Corporation, means an instrument in writing signed on behalf of the Corporation by the President of the Corporation, or by any other officer of the Corporation duly authorized by the Board of Directors of the Corporation for the purpose of signing documents, on its behalf under the Trust Agreement.

"Reserve Fund" means the County of San Joaquin Capital Facilities Project Reserve Fund established pursuant to the Trust Agreement.

"Reserve Fund Requirement" means the least of (a) (10% of the initial offering price to the public of the Certificates (as determined by the County under the Code), or (b) the maximum annual Base Rental Payments payable in any one-year period ending on November 15 under the Project Lease, or (c) 125% of the average annual Base Rental Payments payable in each one-year period ending on November 15 under the Project Lease, all as computed by the County; provided, that with the prior written consent of the Bond Insurers such requirement (or any portion, thereof) may be provided, but only upon prior written notification to the Rating Agencies, by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank the obligations insured by which insurer or issued by which bank, as the case may be, have ratings equal to "Aaa" or higher assigned by Moody's and "AAA" or higher assigned by S&P.

"Series 1993 Bond Insurance Policy" means the policy of municipal bond insurance insuring the Series 1993 Certificates issued by the Series 1993 Bond Insurer.

"Series 1993 Bond Insurer" means Municipal Bond Investors Assurance Corporation, a stock insurance company incorporated under the laws of the State of New York.

"Series 1993 Certificates" means the County of San Joaquin Series 1993 Certificates of Participation (Capital Facilities Project) authorized by the Trust Agreement and at any time Outstanding thereunder that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

"Series 1993 Improvements" means the construction of a three story addition adjacent to the existing District Attorney Family Support Building on land owned by the County.

"Site" means those certain parcels of real property that have been leased to the Corporation by the County under and pursuant to the Site Lease.

"Site Lease" means that certain Master Site Lease executed and entered into as of October 1, 1993, by and between the County and the Corporation, as originally executed and entered into and as it may from time to time be amended or supplemented as provided therein.

"S&P" means Standard & Poor's corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the County and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

"Supplemental Trust Agreement" means an agreement by and among the parties to the Trust Agreement amending or supplementing the terms thereof entered into pursuant to the conditions and terms thereof.

"Tax Certificate" means collectively all certificates executed by the County at the time of the initial execution and delivery of any of the Certificates relating to the requirements of the Code, as such certificates may be Amended or supplemented from time to time.

"Treasurer" means the Treasurer-Tax Collector of the County of San Joaquin.

"Trust Agreement" means that certain Trust Agreement executed and entered into as of October 1, 1993, by and among the Trustee, the Corporation and the County, as originally executed and entered into and as it may from time to time be amended or supplemented by any Supplemental Trust Agreement, under and pursuant to which the Trustee will execute and deliver the Certificates.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its Principal Corporate Trust Office, or any successor Trustee which may at any time be substituted in place of the original or any successor Trustee as provided in the Trust Agreement at its Principal Corporate Trust Office.

"2007 Assignment Agreement" means that certain Assignment Agreement, dated as of June 1, 2007, between the Corporation and the Trustee.

"2007 Certificates" means the Additional Certificates executed and delivered by the Trustee pursuant to the Trust Agreement and the First Supplemental Trust Agreement entitled "County of San Joaquin Certificates of Participation, Series 2007 (County Administration Building)."

"2007 Certificates Insurance Policy" means the financial guaranty insurance policy issued by MBIA Insurance Corporation insuring payment of the 2007 Certificates.

"2007 Certificates Insurer" means MBIA Insurance Corporation and any successor and assigns.

THE SITE LEASE

The County covenants that it is the owner in fee of the Site. Pursuant to the Site Lease, the County has leased to the Corporation and the Corporation has hired from the County those certain parcels of real property more particularly described therein.

The term of the Site Lease commenced on November 9, 1993, the date of recordation of the Site Lease and shall terminate on the last scheduled payment date of any of the Certificates.

THE PROJECT LEASE

The Project Lease sets forth the terms of the lease by the County from the Corporation of the Project and the payment of the security therefor and various rights and obligations of the Corporation and the County

Lease of the Project

Pursuant to the Project Lease, the Corporation leases the Project to the County, and the County rents and hires the Project from the Corporation, on the conditions and terms set forth therein. The County agrees and covenants that during the term of the Project Lease, except as provided therein, it will use or cause the use of the Project for public purposes, subject to and consistent with all agreements and leases with respect thereto theretofore entered into by it, so as to afford the public the benefits contemplated thereby and so as to permit the Corporation to carry out its agreements and covenants contained therein and in the Trust Agreement, and the County further agrees and covenants that during the term of the Project Lease that it will not abandon or vacate the Project.

Right of Entry and Inspection

The Corporation shall have the right to enter the Project and inspect the Project during reasonable business hours (and in emergencies at all times) for any purpose connected with the Corporation's rights or obligations under the Project Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale

The Corporation and the County will not sell or otherwise dispose of the Project or any property essential to the proper operation of the Project, except as otherwise provided in the Project Lease, and will not create or suffer to be created any Lien upon the Project, or upon any real or personal property essential to the operation of the Project, except Permitted Encumbrances.

Liens

In the event the County shall at any time during the term of the Project Lease cause any improvements to be constructed to the Project or cause any materials to be supplied in or upon or attached to the Project, the County shall 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 Project and shall keep the Project free of any and all mechanics' and materialmen's liens against the Project. In the event any such lien attaches to or is filed against the Project, the County shall cause each such lien to be duly discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due; provided, that if the County desires to contest any such lien, it may do so. If any such lien shall 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 shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Corporation and the Trustee and their directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Project.

Additional or Substituted Capital Facilities

The Corporation and the County may (subject to the prior written approval of the Bond Insurers and the Rating Agencies) add any real property as part of the Site or substitute any real property as part of the Site by amending the Site Lease and may add any Additional Capital Facilities or substitute any Additional Capital Facilities located or to be located thereon as part of the Capital Facilities and the Project by amending the Project Lease, but only after the County shall have filed with the Corporation and the Trustee all of the following documents:

(a) Executed copies of the amendment to the Site Lease containing the amended description of the Site and the amendment to the Project Lease continuing the description of the Additional Capital Facilities, together with a Certification of the County stating that such amendments have been duly recorded in the official records of the County Recorder of the County;

(b) A Certification of the County, accompanied by a written appraisal from a qualified appraiser acceptable to the Bond Insurers, evidencing that the annual fair rental value of the Project after such amendment will be at least equal to one hundred per cent (100%) of the maximum amount of Base Rental Payments becoming due in the then current or in any subsequent year ending on November 15.

(c) If any Additional Certificates are to be issued with respect to such Additional Capital Facilities, (i) A California Land Title Association leasehold owner's policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Site after such amendment in an amount at least equal to the initial principal amount of such Additional Certificates, each of which such insurance instruments, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Corporation in such additional property subject only to such exceptions as do not substantially interfere with the County's right to use and occupy such additional real property and as will not result in an abatement of Base Rental Payments payable by the County under the Project Lease; or

(ii) An Opinion of Counsel or Certification of the County stating that, based upon review of such instruments, certificates or any other matters described in such Opinion of Counsel or Certification of the County, the County has good merchantable title to the Project after such substitution, which term "Good Merchantable Title" shall mean such title, as in the Opinion of Counsel or Certification of the County, is satisfactory and sufficient for the needs and operations of the County, subject only to Permitted Encumbrances;

(d) A Certification of the County stating that (i) such addition does not adversely affect the County's use and occupancy of the Project and (ii) the useful life of the Project after any such addition or substitution meets or exceeds the remaining term of the Certificates; and

(e) An Opinion of Counsel stating that such amendment or modification (i) is authorized or permitted by the Constitution and laws of the State of California and the Site Lease, the Project Lease and the Trust Agreement; (ii) complies with the terms of the Constitution and laws of the State of California and of the Site Lease, the Project Lease and the Trust Agreement; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Corporation and the County in accordance with its terms; and (iv) will not cause the interest evidenced and represented by any Certificates to be included in gross income for federal income tax purposes.

Deleted Capital Facilities

The Corporation and the County may delete any real property as part of the Site by amending the Site Lease (but only with the consent of the Bond Insurers, in their sole discretion) and may delete any Capital Facility located thereon as part of the Capital Facilities and the Project by amending the Project Lease, but only after the County shall have first paid all the Additional Rental Payments and the Base Rental Payments (as set forth in the Base Rental Payment Schedule contained in Exhibit B to the Project Lease) allocable to such Capital Facility in the manner provided in Article XII of the Project Lease and only after the County shall have notified the Bond Insurers and the Rating Agencies.

Term of the Project Lease

The Project Lease commenced on October 1, 1993, or the date it was first recorded, whichever date was later, and shall terminate on the day prior to the last scheduled Principal Payment Date; provided, that if prior to the last scheduled Principal Payment Date all Base Rental Payments and the interest accrued thereon and all Additional Rental Payments and the interest accrued thereon and all other fees and expenses of the Trustee shall have been paid (all as provided in Article XII of the Project Lease), the term thereof shall end on the date of such payment; and provided further, that if on the last scheduled Principal Payment Date the Certificates shall not have been fully paid, then the term thereof shall be extended until the day prior to the full payment of all Certificates, but not later than ten (10) years after the day before the last scheduled Principal Payment Date.

Tax Covenants

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest evidenced and represented by the Certificates pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Certificates or any other funds of the County or take or omit to take any action that would cause the Certificates to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Certificates and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, that if the County shall obtain an Opinion of Counsel to the effect that any action required under the Project Lease is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest evidenced and represented by the Certificates pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Project Lease. In the event that at any time the County is of the opinion that for purposes of the Project Lease it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement or otherwise the County shall so instruct the Trustee in writing and direct the Trustee to take such action as may be necessary in accordance with such instructions.

(b) To the ends covenanted in the Project Lease, the County specifically agrees, consistent with the Code, to ensure that the following requirements are met:

(1) No more than ten per cent (10%) of the Project shall be used in the trade or business of one or more nongovernmental persons;

(2) The County will not invest or allow to be invested proceeds of the Certificates at a yield in excess of the yield on the Certificates, except to the extent allowed under the Tax Certificate delivered at the time of the initial delivery of the Certificates; and

(3) The County will rebate or cause to be rebated any amounts due to the United States of America, as provided in such Tax Certificate delivered at the time of the initial delivery of the Certificates.

Payment of Rental Payments

The County agrees to pay to the Corporation, its successor or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Project the following amounts at the following times:

(a) Base Rental Payments. The County shall pay to the Corporation Base Rental Payments which shall be due in the amounts and at the times set forth in the Base Rental Payment Schedule contained in the Project Lease and made a part thereof, which Base Rental Payments shall be payable by the County for the lease of the Project to it and which Base Rental Payments shall be allocated to each of the Capital Facilities as set forth in such schedule; provided that if the term of the Project Lease shall have been extended pursuant to the Project Lease, Base Rental Payments shall continue to be due on May 15 and November 15 in each year continuing to and including the date of termination thereof in an amount equal to the amount of Base Rental Payments payable for the twelve-month period ending on the last scheduled Principal Payment Date, and on such extension of the Project Lease, the principal and interest components of the Base Rental Payments during the extended term thereof shall be established by the County so that the principal components will in the aggregate be sufficient to pay all unpaid principal components with interest components sufficient to pay all unpaid interest components plus interest on the extended principal components at a rate equal to the rate of interest on the principal component of the Base Rental Payment payable on the last scheduled Principal Payment Date; and provided further, that Base Rental Payments can only be paid in full, and the County may not pay only a portion of any Base Rental Payment due thereunder. Each Base Rental Payment shall be payable in immediately available funds on the 15th day immediately preceding such Base Rental Payment Date (the "Due Date"), and any payments remitted to the Trustee prior to any Due Date shall be invested for the credit of the County and as instructed by the County. Any interest or other income with respect thereto accruing prior to each such Due Date shall belong to the County and shall be returned by the Corporation to the County on May 15 and November 15 of each year or may be transferred as directed by the County. The interest components of the Base Rental Payments shall be paid by the County as and shall constitute interest paid on the principal components of the Base Rental Payments to be paid by the County under the Project Lease computed on the basis of a 360-day year composed of twelve 30-day months. The County shall provide written notice to the Trustee at least 20 Business Days prior to any Interest Payment Date upon which it expects to be unable to pay the Base Rental Payment due on such Interest Payment Date, informing the Trustee of its inability to pay such Base Rental Payment.

(b) Additional Rental Payments. The County shall pay to the Corporation or the Trustee, as the case may be, as Additional Rental Payments under the Project Lease (in addition to the foregoing Base Rental Payments) all such amounts in each year as shall be required by the Corporation or the Trustee for the payment of all costs and expenses incurred by the Corporation or the Trustee in connection with the execution, performance or enforcement of the Project Lease or any assignment thereof and of the Trust Agreement, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Corporation or the Trustee in connection with the Project, together with all salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Corporation under the Trust Agreement, fees of auditors, accountants, attorneys or engineers, insurance premiums, taxes and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or the Trust Agreement. Such Additional Rental Payments shall be billed to the County by the Corporation or by the Trustee from time to time, and all amounts so billed shall be due and payable by the County to the Corporation or the Trustee, as designated in the bill to the County, within 15 days after receipt of the bill by the County. The County reserves the right to audit billings for Additional Rental Payments although exercise of such right shall in no way affect the duty of the County to make full and timely payment for all Additional Rental Payments.

All such payments of Base Rental Payments and Additional Rental Payments for each rental payment period during the term of the Project Lease shall constitute the total payments for such rental payment period, and shall be paid by the County in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Project during the rental payment period for which such rental is paid. The parties to the Project Lease have agreed and determined that the fair rental value of the Project (and of each Capital Facility constituting a part thereof) is at least equal to the Base Rental Payments shown in the Base Rental Payment Schedule contained in Exhibit B attached to the Project Lease and made a part thereof, and in making such determination, consideration has been given to the costs of the acquisition and construction of the Project, the other obligations of the parties under the Project Lease, the uses and purposes which may be served by the Project and the benefits therefrom which will accrue to the County, its residents and the general public.

Each Base Rental Payment and each Additional Rental Payment payable under the Project Lease shall be paid in lawful money of the United States of America. Any such Base Rental Payment which shall not be paid when due shall bear interest at the highest interest rate borne by any Outstanding Certificates from the date when the same is due under the Project Lease until the same shall be paid.

The Corporation and the County understand and intend that the obligation of the County to pay the Base Rental Payments and the Additional Rental Payments under the Project Lease shall constitute a current expense of the County and shall not in any way be construed to be a debt of the County in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the County, nor shall anything contained in the Project Lease constitute a pledge of the general tax revenues, funds or moneys of the County, and the Base Rental Payments and the Additional Rental Payments due thereunder shall be payable only from current funds which are budgeted and appropriated or on deposit in the Reserve Fund or otherwise legally available for the purpose of paying the Base Rental Payments and the Additional Rental Payments or other payments due thereunder as consideration for use of the Project. The Corporation and the County further understand that the Project Lease shall not create an immediate indebtedness for any aggregate payments which may become due thereunder in the event that the term thereof is extended, and the County has not pledged the full faith and credit of the County, the State of California or any agency or department thereof to the payment of the Base Rental Payments and the Additional Rental Payments or any other payments due thereunder.

Application of Payments

All payments received by the Trustee under the Project Lease shall be applied first to the interest components of the Base Rental Payments due thereunder, then to the principal components of the Base Rental Payments due thereunder and finally to all Additional Rental Payments due thereunder, but no such application of any payments which are less than the total payment due and owing shall be deemed a waiver of any default thereunder.

Payments to Be Unconditional

The obligations of the County to make the Base Rental Payments and the Additional Rental Payments required under the Project Lease and to perform and observe the other covenants and agreements contained therein shall be absolute and unconditional, subject to the rental abatement provisions of the Project Lease, and notwithstanding any dispute between or among the County, the Corporation and any other person, the County shall make all Base Rental Payments and all Additional Rental Payments when due without deduction or offset of any kind, and the County shall not withhold any such payments pending final resolution of such dispute nor shall it assert any right of set-off or counterclaim against its obligation to make such payments required under the Project Lease. In the event of a determination that the County was not liable for any Base Rental Payments or any Additional Rental Payments or any portion thereof, such payments or excess of payments, as the case may be, shall, at the option of the County, be credited against any subsequent Base Rental Payments and Additional Rental Payments that may become due under the Project Lease or shall be refunded at the time of such determination.

Prepayment of Base Rental Payments

The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Project Lease, all or any portion of the principal components of Base Rental Payments then unpaid, in whole or in part on any date, in integral multiples of $5,000 so that the aggregate annual amounts of principal components of Base Rental Payments which shall be payable after such prepayment date shall each be in an integral multiple of $5,000 and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments then unpaid, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

The County may prepay, from any source of available funds, all or any portion of the principal components of Base Rental Payments applicable to the Additional Facilities due on the Principal Payment Dates on or after November 15, 2018, in whole or in part on any date on or after November 15, 2017, in integral multiples of $5,000 from such Principal Payment Dates as selected by the County (and by lot within such Principal Payment Dates), at a prepayment price equal to the sum of the principal components prepaid plus accrued interest with respect thereto to the date of prepayment.

Before making any prepayment pursuant to the Project Lease, the County shall, within five (5) Business Days following the event creating such right or obligation to prepay, give written notice to the Corporation and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 75 days from the date such notice is given.

Title to the Project

Title to the Project shall (except as provided in the Project Lease) remain in the Corporation during the term of the Project Lease, and title to all moveable property that is placed in or about the Project by the County during the term thereof shall remain in the County during the term thereof. The County shall take all necessary actions to execute and deliver or cause to be executed and delivered all such other and further instruments, documents and assurances as may be necessary or reasonably required in order to further and more fully vest in the Corporation the title to the Project.

The Corporation's interest in and title to the Project shall be transferred, conveyed and assigned to and become vested in the County and the Project Lease shall terminate with respect thereto at the end of the term of the Project Lease, and the Corporation will execute and deliver such conveyances, deeds, bills of sale, registration documents and other instruments as may be necessary to effect such vesting of record.

Maintenance of the Project by the County

The County agrees that, at all times during the term of the Project Lease, it will, at its own cost and expense, maintain, preserve and keep the Project 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, and will pay all maintenance, operation and repair costs of the Project as they become due from all legally available money.

Taxes, Other Governmental Charges and Utility Charges

The parties to the Project Lease contemplate that the Project will be used for public purposes by the County and, therefore, that the Project will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use or possession by the Corporation or the County of the Project is found to be subject to taxation in any form, the County will pay during the term of the Project 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 Project 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 Project, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Project Lease is in effect.

Insurance

The County shall procure or cause to be procured and maintain or cause to be maintained throughout the term of the Project Lease, from a Qualified Carrier, insurance against the following risks in the following respective amounts:

(1) insurance against loss or damage to each Capital Facility constituting a portion of the Project by fire and lightning, with an extended coverage endorsement and vandalism and malicious mischief insurance and sprinkler system leakage insurance and boiler insurance, which such extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and which such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of such Capital Facility, excluding the cost of excavations, of grading and filling and of the land (except that such insurance may be subject to deductible clauses of not to exceed fifty thousand dollars ($50,000) for any one loss); provided, that such insurance shall in any event be in an amount sufficient, in the event of total or partial loss, to enable the County either to retire the Certificates attributable to such Capital Facility or to restore such Capital Facility to the condition existing before such loss;

(2) use and occupancy insurance against loss, total or partial, of the use and occupancy of each Capital Facility constituting a portion of the Project as a result of any of the hazards covered by the insurance required by paragraph (1) hereof, in an amount sufficient to pay the proportionate share of the Base Rental Payments attributable to such Capital Facility for a twenty-four (24) month period;

(3) workers' compensation insurance covering all employees working in or on the Project, in the same amount and type as other workers' compensation insurance maintained by the County for similar employees doing similar work (and the County shall also require any other person or entity working in or on the Project to carry the foregoing amount of workers' compensation insurance); and

(4) a standard comprehensive public entity liability insurance policy or policies in protection of the County, the Corporation and its directors, officers and employees and the Trustee, indemnifying and defending such parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Project, with minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of two hundred thousand dollars $200,000 (subject to a deductible clause of not to exceed ($100,000)) for damage to property resulting from each accident or event; provided, that such public liability and property damage insurance may be in the form of a single limit policy in the amount of $3,000,000 covering all such risks and may be maintained as part of or in conjunction with any other liability insurance carried by the County.

Notwithstanding the above provisions, as an alternative to providing the insurance required by paragraphs (1), (3) and (4) above, the County may provide a self-insurance method or plan of protection, which such self-insurance maintained by the County pursuant to the foregoing sections shall comply with the following terms:

(i) the self-insurance program shall be approved by an Insurance Consultant;

(ii) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by the Insurance Consultant, and any deficiencies in any self-insurance claims fund shall be remedied in accordance with the recommendation of the Insurance Consultant;

(iii) the self-insurance claims fund shall be held in a separate fund by the County;

(iv) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claim reserve fund, as determined by the Insurance Consultant, shall be maintained; and

(v) the self-insurance program shall be acceptable to the Bond Insurers (with copies of any such acceptance sent to the Rating Agencies).

Any insurance policy issued pursuant to the Project Lease shall be so written or endorsed as to make losses, if any, payable to the County, the Corporation and the Trustee as their respective interests may appear, except that the net proceeds, if any, of the insurance policy described in paragraph (2) above shall be deposited in the Base Rental Payment Fund established under the Trust Agreement, and each insurance policy provided for in the Project Lease shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Corporation or the Trustee without first giving written notice thereof to the Corporation and the Trustee at least 60 days in advance of such intended cancellation or modification; provided, that the Trustee shall not be responsible for the sufficiency of any insurance required in the Project Lease and shall be fully protected in accepting payment on account of such insurance or any adjustments, compromise or settlement of any loss agreed to by it.

The County shall file a certificate with the Trustee and the Bond Insurers not later than July 1 of each year certifying that the insurance required by the Project Lease is in full force and effect and that the Trustee is named as a loss payee on each insurance policy which the Project Lease requires to be so endorsed.

Damage, Destruction or Condemnation: Use of Net Proceeds

If prior to the termination of the term of the Project Lease (a) any Capital Facility constituting a portion of the Project is destroyed or is damaged by fire or other casualty, or (b) title to, or the temporary use of, any Capital Facility constituting a portion of the Project or the estate of the Corporation or the County in such Capital Facility shall be condemned by any governmental body or by any person or firm or corporation acting under governmental authority, then the Corporation and the County will cause the net proceeds of any insurance payment or any condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of such damaged, destroyed or condemned Capital Facility, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; provided, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay that portion of the principal components of the Base Rental Payments due under the Project Lease that has been abated as provided therein, may elect not to repair, restore, modify, improve or replace such destroyed, damaged or contained Capital Facility and thereupon shall cause said proceeds to be used for the prepayment of such portion of the unpaid principal components of Base Rental Payments.

Disclaimer of Warranties

The Corporation 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 Project, or warranty with respect thereto. The County acknowledges that the Corporation is not a manufacturer of any portion of the Project or a dealer therein and that the County leases the Project as-is, it being agreed that all of the aforementioned risks are to be borne by the County. In no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Project Lease or the existence, furnishing, functioning or the County's use of the Project as provided thereby.

Option to Purchase

The County shall have the option to purchase the Corporation's interest in any Capital Facility constituting a part of the Project upon payment of an option price consisting of money or Federal Securities that are not callable by the issuer thereof prior to maturity in an amount sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Project Lease of the part of the total rent thereunder attributable to such Capital Facility (as set forth in Exhibit B to the Project Lease). Any such payment shall be made to the Trustee and shall be treated as prepaid Base Rental Payments and shall be applied by the Trustee to pay the principal of and interest on the Certificates applicable to such Capital Facility and to prepay such Certificates if such Certificates are subject to prepayment pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee, (a) the Base Rental Payments thereafter payable under the Project Lease shall be reduced by the amount thereof attributable to such Capital Facility, (b) Article V of the Project Lease shall not thereafter be applicable to such Capital Facility, (c) the insurance required by the Project Lease need not be maintained as to such Capital Facility, and (d) title to such Capital Facility and of the portion of the Site upon which such Capital Facility is located shall vest in the County and the term of the Project Lease shall end as to the portion of the Site upon which such Capital Facility is located and to such Capital Facility.

Default and Remedies

(a) If the County shall fail to pay any rental payable under the Project Lease when the same becomes due and payable, time being expressly declared to be of the essence thereof, or the County shall fail to keep, observe or perform any other term, covenant or condition contained therein required to be kept or performed by the County for a period of thirty (30) days after notice of the same has been given to the County by the Corporation or the Trustee or for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, or upon the happening of any of the events specified in subsection (b) of this section (any such case being an "Event of Default"), the County shall be deemed to be in default under the Project Lease and it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Project Lease, and upon any such default, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following, but only subject to the direction of the Bond Insurer:

(1) To terminate the Project Lease in the manner provided therein on account of default by the County, notwithstanding any re-entry or re-letting of the Site and the Project as provided for in subparagraph (2) hereof, and to re-enter the Site and the Project and remove all persons in possession thereof and all personal property whatsoever situated upon the Site and the Project and place such personal property in storage in any warehouse or other suitable place located within the County of San Joaquin, California. In the event of such termination, the County agrees to surrender immediately possession of the Site and the Project, without let or hindrance, and to pay the Corporation all damages recoverable at law that the Corporation may incur by reason of default by the County, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Site and the Project and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Project Lease. Neither notice to pay rent or to deliver up possession of the Site or the Project given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Site and the Project nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest thereunder shall of itself operate to terminate the Project Lease, and no termination thereof on account of default by the County shall be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Corporation shall have given written notice to the County of the election on the part of the Corporation to terminate the Project Lease. The County covenants and agrees that no surrender of the Site and the Project or of the remainder of the term of the Project Lease or any termination thereof shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

(2) Without terminating the Project Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision of the Project Lease to be kept or performed by the County, regardless of whether or not the County has abandoned the Project, or (ii) to exercise any and all rights of re-entry upon the Site and the Project. In the event the Corporation does not elect to terminate the Project Lease in the manner provided for in subparagraph (1) hereof, the County shall remain liable and agrees to keep or perform all covenants and conditions therein contained to be kept or performed by the County and, if the Site and the Project are not re-let, to pay the full amount of the rent to the end of the term thereof, or,

in the event that the Site and the Project are re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as provided therein for the payment of rent thereunder (without acceleration), notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental therein specified, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such entry or re-entry or obtaining possession of the Site and the Project. Should the Corporation elect to enter or re-enter as provided in the Project Lease, the County thereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to re-let the Site and the Project, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Site and the Project and to place such personal property in storage in any warehouse or other suitable place located in the County of San Joaquin, California, for the account of and at the expense of the County, and the County thereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Site and the Project and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Project Lease. The County agrees that the terms of the Project Lease constitute full and sufficient notice of the right of the Corporation to re-let the Site and the Project and to do all other acts to maintain or preserve the Project as the Corporation deems necessary or desirable in the event of such re-entry without effecting a surrender thereof, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination thereof 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 Project Lease shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (1) hereof. The County further waives the right to any rental obtained by the Corporation in excess of the rental specified in the Project Lease and thereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-letting the Site and the Project or any part thereof. The County further agrees to pay the Corporation the cost of any alterations or additions to the Site and the Project necessary to place the Site and the Project in condition for re-letting immediately upon notice to the County of the completion and installation of such additions or alterations.

The County waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Site and the Project as provided in the Project Lease and all claims for damages that may result from the destruction of the Site and the Project and all claims for damages to or loss of any property belonging to the County, or any other person, that may be in or upon the Site and the Project.

(b) If (1) the County's interest in the Project Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation, as therein provided for, or (2) the County or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects 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 the County's debts or obligations, or offers to the County's creditors to effect a composition or extension of time to pay the County's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the County's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the County, or if a receiver of the business or of the property or assets of the County shall be appointed by any court, except a receiver appointed at the instance or request of the Corporation, or if the County shall make a general or any assignment for the benefit of the County's creditors, or if (3) the County shall abandon or vacate the Site and the Project, then the County shall be deemed to be in default under the Project Lease.

(c) The Corporation shall in no event be in default in the performance of any of its obligations under the Project Lease or imposed by any statute or rule of law unless and until the Corporation shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the County to the Corporation properly specifying wherein the Corporation has failed to perform any such obligation. In the event of default by the Corporation, the County shall be entitled to pursue any remedy provided by law.

(d) In addition to the other remedies set forth in the Project Lease, upon the occurrence of an event of default as described therein, the Corporation, subject to the direction of the Bond Insurers, shall be entitled to proceed to protect and enforce the rights vested in the Corporation by the Project Lease or by law. The provisions of the Project Lease and the duties of the County and of its trustees, officers or employees shall be enforceable by the Corporation by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the County and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's rights against the County (and the members of its board of supervisors, its officers and employees) and to compel the County to perform and carry out its duties and obligations under the law and its covenants and agreements with the Corporation as provided in the Project Lease.

The exercise of any rights or remedies under the Trust Agreement or under the Project Lease shall not permit acceleration of payment dates as to any Certificates then insured by a Bond Insurer.

Each and all of the remedies given to the Corporation under the Project Lease or by any law now or thereafter enacted are cumulative and the single or partial exercise of any right, power or privilege under the Project Lease shall not impair the right of the Corporation to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in the Project Lease shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Site and the Project. If any statute or rule of law validly shall limit the remedies given to the Corporation under the Project Lease, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Corporation shall prevail in any action brought to enforce any of the terms and provisions of the Project Lease, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Corporation in attempting to enforce any of the remedies available to the Corporation thereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement and the 2007 Assignment Agreement, the Corporation sells, assigns and transfers, without recourse, to the Trustee for the benefit of the Owners of the Certificates each and all of its rights under the Site Lease and the Project Lease (except its rights to receive payment of its fees, expenses and reimbursements), including without limitation (i) its right to receive the Base Rental Payments from the County under the Project Lease, (ii) its rights to exercise any and all rights and remedies conferred on the Corporation under the Site Lease and the Project Lease, and (iii) its rights of entry in and upon the Project as provided in the Site Lease and the Project Lease

THE TRUST AGREEMENT

The Trust Agreement sets forth the terms of the Certificates, the nature and extent of the security therefor, various rights of the Owners, rights, duties and immunities of the Trustee and rights and obligations of the Corporation and the County. Certain provisions of the Trust Agreement are summarized below.

Equal Security

In consideration of the acceptance of the Certificates by the Owners, the Trust Agreement shall be deemed to be and shall constitute a contract by and among the Trustee, the Corporation, the County and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and terms contained therein; and all agreements, conditions, covenants and terms contained therein required to be observed or performed by or on behalf of the Trustee, the Corporation or the County shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided in the Trust Agreement or in the Certificates.

Additional Certificates

In addition to the Certificates, the Trustee, the Corporation and the County may by a Supplemental Trust Agreement provide for the execution and delivery of Additional Certificates evidencing and representing additional principal components of Base Rental Payments and the interest accruing thereon, and the Trustee may execute and deliver to or upon the Request of the County such Additional Certificates in such principal amount as shall reflect such additional principal components of Base Rental Payments, but only upon compliance by the Corporation and the County with the provisions of the Trust Agreement, and subject to the following specific conditions, which are thereby made conditions precedent to the execution and delivery of any Additional Certificates:

(a) The Corporation and the County shall not be in default under the Trust Agreement or under any Supplemental Trust Agreement or under the Project Lease;

(b) The Supplemental Trust Agreement shall require that the proceeds of the sale of such Additional Certificates shall be applied (i) to refund all or any part of the then Outstanding Certificates or Additional Certificates or any other certificates of participation of the County, or (ii) to acquire or construct any Improvements; provided, that such proceeds may also be applied to the payment of costs and expenses of and incidental to the authorization and sale of such Additional Certificates and the payment of the interest components due or to become due with respect to such Additional Certificates during the estimated period of the acquisition or construction of such Improvements and for a period of not to exceed twelve (12) months thereafter;

(c) The Supplemental Trust Agreement shall require that from the proceeds of such Additional Certificates or other sources an amount shall be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement, taking into account the issuance of such Additional Certificates;

(d) The Additional Certificates shall be payable as to principal on November 15 of each year in which principal components are due and (unless issued as Capital Appreciation Certificates) shall (after the first year) be payable as to interest on May 15 and November 15 of each year as specified in such Supplemental Trust Agreement;

(e) The Supplemental Trust Agreement shall provide Certificate Payment Dates and mandatory prepayments of the Additional Certificates when interest and principal components of Base Rental Payments that are evidenced and represented by such Additional Certificates become due;

(f) The aggregate principal amount of the Additional Certificates executed and delivered and at any time Outstanding under the Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement;

(g) The Site Lease shall have been amended to add additional real property to the Site (if applicable) and the Project Lease shall have been amended as provided therein (i) to increase the Base Rental Payments payable by the County thereunder by an aggregate amount equal to the interest and principal evidenced and represented by such Additional Certificates, payable at such times and in such manner as may be necessary to provide for the payment of the interest and principal evidenced and represented by such Additional Certificates, and (if appropriate), and (ii) to add the Additional Capital Facilities thereto;

(h) The County shall have delivered to the Trustee a Certification of the County stating that the fair rental value of the Project (after the inclusion of such Additional Capital Facilities based on an independent appraisal obtained by the County) is at least equal to the maximum annual amount of Base Rental Payments payable with respect to the then Outstanding Certificates and such Additional Certificates; and

(i) All construction of the Improvements to be financed from the proceeds of such Additional Certificates shall either be performed pursuant to a construction contract or contracts between the County and a contractor, or, where permitted by statute, shall be performed by the County by force account, and each such construction contract shall provide for a guaranteed maximum price for the construction to be performed thereunder, which price shall be in an amount clearly available from the proceeds of such Additional Certificates and any other money legally available therefor, and each such construction contract shall require the contractor thereunder to furnish a performance bond in an amount at least equal to one hundred per cent (100%) of the contract price as security for the faithful performance of the contract and a labor and materials (payment) bond at least equal to one hundred per cent (100%) of the contract price as security for the payment of all persons performing labor or furnishing materials in connection with the contract, which bonds shall be underwritten by responsible corporate sureties.

Procedure for Issuance of Additional Certificates

Whenever the Trustee and the Corporation and the County shall determine to provide for the execution and delivery of any Additional Certificates pursuant to the Trust Agreement, the Trustee, the Corporation and the County shall enter into a Supplemental Trust Agreement providing for the issuance of such Additional Certificates, which Supplemental Trust Agreement shall specify the principal amount of such Additional Certificates and shall prescribe the terms and conditions of such Additional Certificates and the form or forms of such Additional Certificates and, subject to the provisions of the Trust Agreement, shall provide for the distinctive designation, denominations, method of numbering, dates, payment dates, interest rates, interest payment dates, provisions for prepayment (if desired) and places of payment of interest and principal and prepayment premiums, if any, of such Additional Certificates.

Before such Additional Certificates shall be executed and delivered under the Trust Agreement, the Corporation and the County shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel setting forth (1) that such counsel has examined the amendments to the Site Lease and to the Project Lease and the Supplemental Trust Agreement referred to in the Trust Agreement and the other pertinent documents and that such documents meet the requirements of the Trust Agreement; (2) that the execution and delivery of the Additional Certificates has been sufficiently and duly authorized by the Trustee and the Corporation and the County; (3) that such amendments to the Site Lease and to the Project Lease and such Supplemental Trust Agreement, when duly executed by the Trustee and the Corporation and the County, as appropriate, will be valid and binding obligations of the County; and (4) that such amendments to the Site Lease and to the Project Lease do not adversely affect the exclusion from gross income for federal income tax purposes under the Code of interest evidenced and represented by the Certificates or the exemption of such interest from State of California personal income taxes;

(b) Executed counterparts of the amendments to the Site Lease and to the Project Lease and an executed counterpart of the Supplemental Trust Agreement required by the Trust Agreement; and

(c) The written consents of the Bond Insurers to the execution and delivery of such Additional Certificates.

Upon the delivery to the Trustee of the foregoing instruments, the Trustee shall execute and deliver such Additional Certificates, in the aggregate principal amount specified in such Supplemental Trust Agreement, to, or upon the Request of, the County.

Use of Base Rental Payments

The Base Rental Payments shall be used for the punctual payment of the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates, and shall not be used for any other purpose while any of the Certificates remain Outstanding. All Base Rental Payments shall be paid directly by the County to the Trustee, as provided in the Project Lease and the Assignment Agreement, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one (1) Business Day after the receipt thereof. All Base Rental Payments received by the Trustee shall be held in trust by the Trustee under the terms of the Trust Agreement and shall be deposited by it as and when received in the County of San Joaquin Capital Facilities Project Base Rental Payment Fund, which fund the Trustee agrees to establish and maintain so long as any Certificates are Outstanding, and all money in such fund shall be held in trust by the Trustee for the benefit of the County until deposited in the accounts provided in the Trust Agreement, whereupon such money shall be held in trust in such accounts by the Trustee for the benefit of the Owners. The County and the Corporation (to the extent of their rights, if any, in the Base Rental Payment Fund, although it is the intent of the parties hereto that the Corporation not have any right, title or interest in or to the Base Rental Payment Fund) pledge and grant a lien on and a security interest in the Base Rental Payment Fund to the Trustee for the benefit of the Owners.

Deposit of Money in the Base Rental Payment Fund

The Trustee shall deposit the money contained in the Base Rental Payment Fund at the following respective times into the following respective accounts in the manner provided in the Trust Agreement, each of which accounts the Trustee agrees to establish and maintain so long as any Certificates are Outstanding, and the money in each of such accounts shall be disbursed only for the purposes and uses authorized by the Trust Agreement:

(a) Interest Account. The Trustee, on each Interest Payment Date, shall deposit in the Interest Account that amount of money representing the portion of the Base Rental Payments constituting the interest components becoming due and payable on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by the Certificates on their respective Interest Payment Dates.

(b) Principal Account. The Trustee, on each Principal Payment Date, shall deposit in the Principal Account that amount of money representing the portion of the Base Rental Payments constituting the principal components becoming due and payable on such Principal Payment Date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Certificates on their respective Certificate Payment Dates or on mandatory prepayment prior thereto.

(c) Prepayment Account. The Trustee, on the prepayment date specified in the Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Project Lease, shall deposit in the Prepayment Account that amount of money representing the portion of the Base Rental Payments constituting prepaid Base Rental Payments. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates to be prepaid on their respective prepayment dates.

Reserve Fund

The County agrees to establish and maintain with the Trustee so long as any Certificates are Outstanding the County of San Joaquin Capital Facilities Project Reserve Fund. All money on deposit in the Reserve Fund in excess of the Reserve Fund Requirement shall be transmitted to the County; and for this purpose all investments in the Reserve Fund shall (beginning in May, 1994) be valued on May 31 and November 30 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than 12 months after the date of valuation, at the price at which such investments are redeemable by the holder, at his option, if so redeemable, or if not so redeemable, at the market value of such investments (inclusive of accrued interest). The County and the Corporation (to the extent of their rights, if any, in the Reserve Fund, although it is the intent of the parties hereto that the Corporation not have any right, title or interest in or to the Reserve Fund) pledge and grant a first and exclusive lien on and a security interest in the money in the Reserve Fund to the Trustee for the benefit of the Owners, in order to secure the County's obligation to pay the Base Rental Payments scheduled to be paid under the Project Lease, and the Trustee is authorized to withdraw any money on deposit in the Reserve Fund solely for the payment of Base Rental Payments due and payable by the County under the Project Lease if and when money has not been provided by the County in time sufficient to make such Base Rental Payments. Upon the discharge of the Trust Agreement pursuant to the provisions of the Trust Agreement, any balance of money remaining in the Reserve Fund shall be released from the foregoing pledge, lien and security interest and shall be transferred to such other fund or account of the County or shall be otherwise used by the County for any lawful purposes as the County may direct in a Request of the County filed with the Trustee. Any excess amounts in the Reserve Fund after valuation on November 30, 2008 will be transferred to the Series 2007 Account of the San Joaquin County Capital Facilites Improvement Fund.

Rebate Fund

The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Trust Agreement designated as the "2007 Rebate Fund." The Trustee shall establish and maintain separate subaccounts within the 2007 Rebate Fund to the extent requested by the 2007 Tax Certificate. There shall be deposited in the 2007 Rebate Fund from lawfully available funds such amounts as are required to be deposited therein pursuant to the 2007 Tax Certificate and instructions of the County given pursuant to the 2007 Tax Certificate. All money at any time deposited in the 2007 Rebate Fund and any subaccount therein shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the 2007 Tax Certificate), for payment to the United States of America. All amounts required to be deposited into or on deposit in the 2007 Rebate Fund shall be governed exclusively by this Section and by the 2007 Tax Certificate. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the County and the 2007 Tax Certificate.

Compliance with Trust Agreement

The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement; and neither the Corporation nor the County will suffer or permit any default by them to occur thereunder, but each will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it.

Compliance with Project Lease

Subject to the transfer of the Corporation's rights under the Project Lease to the Trustee pursuant to the Assignment Agreement, the Corporation and the County will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Project Lease required to be observed and performed by them, and each will enforce the Project Lease against the other party thereto in accordance with its terms.

Subject to the transfer of the Corporation's rights under the Project Lease to the Trustee pursuant to the Assignment Agreement, the Corporation and the County will not amend the Project Lease without the prior written consent of the Trustee and the Bond Insurers, which consent shall be given only if an Opinion of Counsel is delivered to the Trustee and the Bond Insurers that such amendment will not result in any material impairment of the security given or intended to be given by the Project Lease for the payment of the Base Rental Payments.

Observance of Laws and Regulations

The Corporation and the County and the Trustee will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

Tax Covenants

The Corporation and the County will at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest evidenced and represented by the Certificates will not be included in the gross income of the Owners of the Certificates for federal income tax purposes under the Code and will take no action that would result in such interest being so included, and without limiting the foregoing, the Corporation and the County will at all times comply with the requirements of the Tax Certificate. This covenant shall survive any defeasance or discharge of the Certificates pursuant to the Trust Agreement or any prepayment of the Certificates.

Other Liens

The County will keep the Project and all parts thereof free from judgments and liens and free from all claims, demands or encumbrances of whatever nature or character, and free from any claim or liability which, in the judgment of the Trustee (and its determination thereof shall be final), might hamper the County in utilizing the Project or any portion thereof; provided, that any such determination made by the Trustee shall not cause any liability to the Trustee. The County will notify the Trustee within five (5) days of receipt by the County of notice of any lien, claim or liability encompassed by the Trust Agreement. The Trustee at its option (after first giving the County ten (10) days' written notice to comply therewith and failure of the County to so comply within such period) may defend against any and all actions or proceedings in which the validity of the Trust Agreement is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, that in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of its failure to observe or perform any of the agreements, conditions, covenants or terms contained in the Trust Agreement required to be observed or performed by it, or from its liability thereunder to defend the validity thereof.

Accounting Records and Statements

The Trustee shall keep proper books of record and account in accordance with standard trust accounting procedures in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Base Rental Payments and the proceeds of the Certificates or the obligation which they evidence and represent. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, (d) the amounts and dates of any payments made with respect thereto, and (e) such documentation as is required to be obtained by the Trustee as evidence to establish that all investments have been purchased in arms'-length transactions with no amounts paid to reduce the yield on the investments.

With respect to any determinations required to be made pursuant to the Trust Agreement, the Trustee may request and the County shall provide such determination, upon which determination the Trustee may conclusively rely. Such records shall be open to inspection by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day following each six-month period ending on May 31 and November 30 of each year, beginning with the six-month period ending on May 31, 1994, and continuing so long as any Certificates are Outstanding, the Trustee will furnish to the Corporation, to the County and to any Owner who may so request (at the expense of such Owner) a complete statement covering the receipts, deposits and disbursements of the Base Rental Payments for such six-month period.

Action on Default

If any Event of Default shall happen, then such Event of Default shall constitute a default under the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates at the time Outstanding shall (with the prior written consent of the Bond Insurers) be entitled, upon notice in writing to the Corporation and to the County, to exercise the remedies provided to the Corporation in the Project Lease; provided, that nothing contained in the Trust Agreement shall affect or impair the right of action of any Owner to institute suit directly against the County to enforce payment of the obligation evidenced and represented by such Owner's Certificate.

Other Remedies of the Trustee

The Trustee shall have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the County or any member of the board of supervisors, officer or employee of the County, and to compel the Corporation or the County or any such member of the board of supervisors, officer or employee of the County to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed or performed by it or him;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Trust Agreement to require the Corporation or the County or any supervisor, officer or employee of the County to account as the trustee of any express trust.

Non-Waiver

A waiver of any default under the Trust Agreement or breach of any obligation by the Trustee thereunder or by the Corporation under the Project Lease shall not affect any subsequent default under the Trust Agreement or any subsequent breach of an obligation by the Trustee thereunder or impair any rights or remedies on any such subsequent default thereunder or on any such subsequent breach of an obligation by the Trustee thereunder. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default under the Trust Agreement shall impair any such right or remedy or shall be construed to be a waiver of any such default thereunder or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by the Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Corporation or the County, the Trustee, the Corporation and the County shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Application of Funds

All money received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or of the Project Lease shall be deposited in a segregated account in the Base Rental Payment Fund and shall be applied by the Trustee (after payment of all amounts due and payable under the Trust Agreement) in the following order and upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid --

First, Costs and Expenses: to the payment of the fees, costs and expenses of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the Certificates then due in the order of the due date of such payments, and, if the amount available shall not be sufficient to pay in full any payment or payments coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by any Certificates which shall have become due, whether on the Certificate Payment Date or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest evidenced and represented by the Certificates at a rate equal to the rate paid with respect to the Certificates and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Remedies Not Exclusive

No remedy conferred in the Trust Agreement upon or reserved therein to the Trustee is intended to be exclusive, and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given thereunder or now or thereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

No Liability by the Corporation to the Owners

The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the observance or performance by the County of the other agreements, conditions, covenants and terms contained in the Project Lease or in the Trust Agreement required to be observed or performed by it, or with respect to the performance by the Trustee of any obligation contained in the Trust Agreement required to be performed by it.

No Liability by the County to the Owners

Except for the payment when due of the Base Rental Payments and the observance and performance of the other agreements, conditions, covenants and terms contained in the Project Lease or in the Trust Agreement required to be observed or performed by it, the County shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Certificates or the receipt, deposit or disbursement of the Base Rental Payments by the Trustee, or with respect to the performance by the Trustee of any obligation contained therein required to be performed by it.

No Liability by the Trustee to the Owners

Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the observance or performance by the County of the other agreements, conditions, covenants and terms contained in the Project Lease or in the Trust Agreement required to be observed and performed by it.

Removal and Resignation of the Trustee

The County may (with the prior written consent of the Bond Insurers) at any time (in the absence of an Event of Default which shall then be continuing) remove the Trustee under the Trust Agreement and any successor thereto by giving written notice of such removal to such Trustee and by giving notice by mail in accordance with the Trust Agreement of such removal to all Owners, and the Trustee thereunder and any successor thereto may at any time resign by giving written notice of such resignation to the County and by giving notice by mail in accordance with the Trust Agreement of such resignation to all Owners of Certificates. Upon giving any such notice of removal or upon receiving any such notice of resignation, the County shall (with the prior written consent of the Bond Insurers) promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the County does not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. Any successor Trustee shall be a bank or trust company doing corporate trust business and having a principal corporate trust office in California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars ($50,000,000) and subject to supervision or examination by state or national authorities. If such bank 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 purposes of this provision the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any removal or resignation of a Trustee under the Trust Agreement and appointment of a successor Trustee thereunder shall become effective only upon the acceptance of the appointment by the successor Trustee.

Amendment of or Supplement to the Trust Agreement

(a) Amendment or Supplement With Consent of Owners. The Trust Agreement and the rights and obligations of the Trustee, the Corporation, the County and the Owners thereunder may be amended or supplemented at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Bond Insurers and of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, and of the Rating Agencies are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest evidenced and represented by any Certificate or extend the time of payment thereof or reduce the amount of principal evidenced and represented by any Certificate or extend the Certificate Payment Date thereof without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of certain amendments thereof or supplements thereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

(b) Amendment or Supplement Without Consent of Owners. The Trust Agreement and the rights and obligations of the Trustee, the Corporation, the County and the Owners thereunder may also be amended or supplemented at any time by a Supplemental Trust Agreement which shall become binding upon execution without the written consents of any Owners, but with the consent of the Bond Insurers, and 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 --

(1) to add to the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed or performed by the Corporation or the County other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the County, or to surrender any right reserved therein to or conferred therein on the Corporation or the County, and which in either case shall not adversely affect the interests of 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 Trust Agreement or in regard to questions arising thereunder which the Corporation or the County may deem desirable or necessary, and which shall not adversely affect the interests of the Owners;

(3) to amend or supplement the Trust Agreement in such manner as to preserve the exemption of the Certificates from the registration requirements of the Securities Act of 1933 or any similar federal statute thereafter in effect or to permit the qualification of the Trust Agreement under the Trust Indenture Act of 1939 or any similar federal statute thereafter in effect;

(4) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion from gross income for federal income tax purposes under the Code of the interest evidenced and represented by the Certificates;

(5) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating by any Rating Agency on the Certificates;

(6) to add to the rights of the Trustee; or

(7) to permit the execution and delivery of any Additional Certificates.

Notice of such amendment or supplement shall be sent by the County to the Rating Agencies promptly after the execution thereof.

Any Supplemental Trust Agreement entered into pursuant to this paragraph shall not, for purposes of this paragraph, materially adversely affect the interest of the Owners so long as (i) each Bond Insurer shall have given its written consent to such Supplemental Trust Agreement, and (ii) each Bond Insurer shall at the time of such consent have a claims paying ability rated in the highest rating category by Moody's and by S&P.

Amendment or Supplement by Mutual Consent

The provisions of the Trust Agreement shall not prevent any Owner from accepting any amendment or supplement as to the particular Certificates owned by such Owner; provided, that due notation thereof is made on such Certificates.

Discharge of Certificates and Trust Agreement

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Certificates the interest and principal and prepayment premiums, if any, evidenced and represented thereby at the times and in the manner provided in the Trust Agreement and in the Certificates, then such Owners shall cease to be entitled to the pledge of and lien on the Base Rental Payments as provided in the Trust Agreement, and all agreements and covenants of the County and the Corporation to such Owners under the Trust Agreement shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificates shall, on their Certificate Payment Dates or their dates of prepayment prior thereto, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money which is sufficient to pay the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates payable on and prior to their Certificate Payment Dates or their dates of prepayment prior thereto.

(c) Any Outstanding Certificates shall, prior to their Certificate Payment Dates or their dates of prepayment prior thereto, 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 Certificates are to be prepaid on any date prior to their Certificate Payment Dates, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give notice by mail in accordance with the Trust Agreement to the Owners of such Certificates of the prepayment of such Certificates on such prepayment dates, (2) there shall have been deposited with the Trustee either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient (as verified in writing by an independent certified public accountant) to pay when due the interest evidenced and represented by such Certificates on and prior to their Certificate Payment Dates or their dates of prepayment prior thereto, as the case may be, and the principal and prepayment premiums, if any, evidenced and represented by such Certificates, and (3) in the event such Certificates are not by their terms subject to prepayment within the next succeeding sixty (60) days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with the Trust Agreement to the Owners of such Certificates and to such securities depositories and securities information services selected by it pursuant to the Trust Agreement that the deposit required by clause (2) above has been made with the Trustee and that such Certificates are deemed to have been paid in accordance with the provisions of the Trust Agreement and stating their Certificate Payment Dates or their dates of prepayment prior thereto upon which money is to be available for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates.

(d) After the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by all Outstanding Certificates as provided in the Trust Agreement, the Trustee shall execute and deliver to the County and the Corporation all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall pay over or deliver to the County all money or deposits or investments held by it pursuant thereto which are not required for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates.

(e) Notwithstanding anything in the Trust Agreement to the contrary, in the event that the interest and/or principal evidenced and represented by any of the Certificates shall be paid by a Bond Insurer, such Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the County, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the County to the Owners shall continue to exist and shall run to the benefit of such Bond Insurer, and such Bond Insurer shall be subrogated to the rights of such Owners.

Unclaimed Money

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal or prepayment premiums, if any, evidenced and represented by any Certificates which remains unclaimed for two (2) years after the date when the payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates have become payable, shall, at the Request of the County, be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates; provided, that before being required to make any such payment to the County, the Trustee shall, at the expense of the County, give notice by mail in accordance with the Trust Agreement to all Owners of Certificates that such money remains unclaimed and that after a date named in such notice, which date shall not be less than 60 days after the date of giving such notice, the balance of such money then unclaimed will be returned to the County.

Benefits of the Trust Agreement Limited to Parties and Owners and Bond Insurers

Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Trustee, the Corporation, the County, the Owners and the Bond Insurers any claim, remedy or right under or pursuant thereto, and any agreement, condition, covenant or term contained therein required to be observed or performed by or on behalf of the Corporation or the County shall be for the sole and exclusive benefit of the Trustee and the Owners and the Bond Insurers.

Investments

Any money held by the Trustee under the Trust Agreement shall be held in demand or time deposits (including certificates of deposit) of any bank (including the Trustee or any affiliate thereof) authorized to accept deposits of public funds, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except that any money in the Base Rental Payment Fund, the 2007 Account of the San Joaquin Capital Facilities Project Improvement Fund, the Costs of Issuance Fund or the Rebate Fund may be invested (and, upon the Request of the County, shall be invested as directed by the County) by the Trustee in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money in the Base Rental Payment Fund, the 2007 Account of the San Joaquin Capital Facilities Project Improvement Fund, the Costs of Issuance Fund or the Rebate Fund, as the case may be, is anticipated to be needed for disbursement under the Trust

Agreement, and any money in the Reserve Fund may be invested (and, upon the Request of the County, shall be invested as directed by the County) by the Trustee in Permitted Investments which mature or are callable at par not later than five (5) years from the date of their purchase, or the latest Certificate Payment Date of any Outstanding Certificates, whichever is earlier, or such longer period of time as permitted by the Certificate Insurer in connection with approval of an Investment Agreement pursuant to paragraph (7) of the definition of Permitted Investments; provided, that any money for which no investment directions have been given by the County shall be deposited by the Trustee in investments described in clause (4) of the definition of Permitted Investments. The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by it under the Trust Agreement, and the Trustee may restrict investments in clause (16) of the definition of Permitted Investments if required to keep money available for the purposes of the Trust Agreement, and the Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with this section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments received by the Trustee shall be deposited in the Base Rental Payment Fund as and when received, except that any such interest or profits from the investment of money in the Reserve Fund shall (in accordance with the Trust Agreement) be transmitted to the County or to the Series 2007 Account of the San Joaquin Capital Facilities Improvement Fund, as the case may be, and any such interest or profits from the investment of money in the Rebate Fund shall be deposited in the Rebate Fund and any such interest or profits from the investment of money in the Series 2007 Account of the San Joaquin Capital Facilities Improvement Fund shall be deposited in the Series 2007 Account of the San Joaquin Capital Facilities Improvement Fund, unless otherwise directed in a Request of the County timely filed with the Trustee.

Consent of Bond Insurers

Any provision of the Trust Agreement expressly recognizing or granting rights in or to the Bond Insurers may not be amended in any manner which affects the rights of the Bond Insurers under the Trust Agreement without the prior written consent of the Bond Insurers, and the prior written consent of the Bond Insurers shall be required for the initiation or approval of any action which requires consent of the Owners. Any reorganization or liquidation plan with respect to the County must be acceptable to the Bond Insurers, and in the event of any reorganization or liquidation, the Bond Insurers shall have the right to vote on behalf of all Owners who hold the Certificates insured by such Bond Insurers absent a default by the Bond Insurers under the bond insurance policies. Anything contained in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined therein, the Bond Insurers shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the Trust Agreement.

Concerning the Certificates Insurer.

Notwithstanding any other provision of the Trust Agreement, so long as the 2007 Certificates Insurance Policy shall be in full force and effect, the County, the Corporation and the Trustee hereby agree to comply with the following provisions:

(a) The 2007 Certificates Insurer shall be deemed to be the sole Owner of the 2007 Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the 2007 Certificates are entitled to take pursuant to the

Trust Agreement. The 2007 Certificates Insurer shall have the exclusive right to initiate or direct proceedings upon an Event of Default and shall be entitled to request the Trustee to intervene in judicial proceedings that affect the 2007 Certificates or the security therefor; provided that the Trustee shall have the right in its sole discretion to commence an action to enforce the payment of its fees and expenses under the Trust Agreement. Owner's direction or institution of remedies upon an Event of Default shall be subject to the prior written consent of the 2007 Certificates Insurer.

(b) Copies of any modification or amendment to the Trust Agreement or the Project Lease, shall be sent by the County to the 2007 Certificates Insurer, S&P and Moody's, or such other rating agency as then may be rating the 2007 Certificates, prior to the effective date thereof or as soon as practical thereafter.

(c) The 2007 Certificates Insurer shall, to the extent it makes any payment of principal of or interest on the Insured 2007 Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2007 Certificates Insurance Policy.

(d) Amounts paid by the 2007 Certificates Insurer under the 2007 Certificates Insurance Policy shall not be deemed paid for purposes of the Trust Agreement, and the 2007 Certificates relating to such amounts shall remain Outstanding and continue to be due and owing until paid in accordance with the Trust Agreement. The Trust Agreement shall not be discharged unless all amounts due or to become due to the 2007 Certificates Insurer have been paid in full.

Payments Under the 2007 Certificates Insurance Policy.

Notwithstanding any other provision of the Trust Agreement, so long as the 2007 Certificates Insurance Policy shall be in full force and effect, the County and the Trustee hereby agree to comply with the following provisions:

(a) If, on the second Business Day, and again on the Business Day, prior to the interest payment date or Certificate Payment Date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient and available to pay the principal of and interest represented by the 2007 Certificates due on such Payment Date, the Trustee shall give notice to the 2007 Certificates Insurer and to the Insurance Paying Agent (hereinafter defined) by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of such deficiency on such Business Day. If such deficiency is made up in whole or in part prior to or on the Payment Date, the Trustee shall so notify the 2007 Certificates Insurer and the Insurance Paying Agent. If, on the 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 2007 Certificates due on such Payment Date, the Trustee shall make a claim under the 2007 Certificates Insurance Policy and give notice to the 2007 Certificates Insurer and the Insurance Paying Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency.

(b) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest represented by the 2007 Certificates, the Trustee shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the 2007 Certificates Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the 2007 Certificates Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignee to the 2007 Certificates Insurer of the claims for interest to which such deficiency relates and which are paid by the 2007 Certificates Insurer, (b) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the 2007 Certificates Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Owners, and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the 2007 Certificates, the Trustee shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the 2007 Certificates Insurer as agent for such Owners in any legal proceeding relating to the payment of such principal and an assignment to the Certificates Insurer of any of the 2007 Certificates surrendered to the Insurance Paying Agent or so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the 2007 Certificates Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Owners.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the 2007 Certificates Insurer and Insurance Paying Agent and the allocation of such funds to payment of interest and principal in respect of any 2007 Certificates. The 2007 Certificates Insurer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

<u>2007 Certificates Insurer Default</u>.

Rights of the 2007 Certificates Insurer to direct or consent to actions under the Trust Agreement or the Project Lease shall be suspended during any period in which the 2007 Certificates Insurer is in default in its payment obligations under the 2007 Certificates Insurance Policy (except to the extent of amounts previously paid by the 2007 Certificates Insurer and due and owing to the 2007 Certificates Insurer) and shall be of no force or effect in the event the 2007 Certificates Insurance Policy is no longer in effect or the 2007 Certificates Insurer asserts that the 2007 Certificates Insurance Policy is not in effect.

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APPENDIX D

[PROPOSED FORM OF OPINION OF SPECIAL COUNSEL]

[Date of Closing]

County of San Joaquin
San Joaquin, California

Re: County of San Joaquin
Series 2007 Certificates of Participation
(County Administration Building)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel in connection with the execution and delivery of the County of San Joaquin Series 2007 Certificates of Participation (County Administration Building) (the "Certificates") evidencing principal in the aggregate amount of $114,635,000. In such connection, we have reviewed the Master Site Lease, dated as of October 1, 1993 (the "Master Site Lease"), as amended by the First Amendment to Site Lease, dated as of June 1, 2007 (the "First Amendment to Site Lease" and together with the Master Site Lease, the "Site Lease"), by and between the County of San Joaquin (the "County") and the San Joaquin County Public Facilities Financing Corporation (the "Corporation"), the Master Project Lease, dated as of October 1, 1993 (the "Master Project Lease"), as amended by the First Amendment to Project Lease, dated as of June 1, 2007 (the "First Amendment to Project Lease" and together with the Master Project Lease, the "Project Lease"), by and between the Corporation and the County, the Trust Agreement, dated as of October 1, 1993, as supplemented by the First Supplemental Trust Agreement, dated as of June 1, 2007 (the "First Supplemental Trust Agreement" and together, the "Trust Agreement"), by and among U.S. Bank National Association (the "Trustee"), the Corporation and the County, the 2007 Assignment Agreement, dated as of June 1, 2007 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Agency Agreement, dated as of October 1, 1993, by and between the Corporation and the County, the Tax Certificate of the County, dated as of the date hereof (the "Tax Certificate"), opinions of counsel to the County, the Corporation and the Trustee, certificates of the County, the Corporation, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement and the Project Lease.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Project Lease, the Site Lease, the Assignment Agreement, the Tax Certificate and any other documents including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest components of Base Rental Payments to be included in gross income for federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Project Lease, the Site Lease, the Assignment Agreement, the Tax Certificate and their enforceability are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Trust Agreement, the Project Lease, the Site Lease or the Assignment Agreement or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The First Supplemental Trust Agreement, the First Amendment to Project Lease and the First Amendment to Site Lease have been duly executed and delivered by, and constitute valid and binding obligations of, the County.

2. The obligation of the County to make the Base Rental Payments during the term of the Project Lease constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefore.

3. Assuming due authorization, execution and delivery of the First Supplemental Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

4. The interest component of the Base Rental Payments paid by the County under the Project Lease and received by the registered owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the accrual or receipt of such interest or the ownership or disposition of the Certificates.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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COUNTY OF SAN JOAQUIN
CERTIFICATES OF PARTICIPATION
SERIES 2007
(COUNTY ADMINISTRATION BUILDING)

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of June 1, 2007 (the "Disclosure Agreement") is executed and delivered by the County of San Joaquin (the "County"), on behalf of itself and the San Joaquin County Public Facilities Financing Corporation (the "Corporation") in connection with the execution and delivery of the County's Certificates of Participation Series 2007 (County Administration Building) (the "2007 Certificates"). The 2007 Certificates are being executed and delivered pursuant to a First Supplemental Trust Agreement dated as of May 1, 2007 (the "First Supplemental Trust Agreement") by and among the Corporation, the County and U.S. Bank National Association, as successor trustee (the "Trustee") and supplemental to the Trust Agreement dated as of October 1, 1993 (the "Original Trust Agreement"), by and among First Trust of California, National Association, as original trustee, the Corporation and the County. (The First Supplemental Trust Agreement, together with the Original Trust Agreement, is referred to as the "Trust Agreement"). The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders and beneficial owners of the 2007 Certificates and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"CPO" means the Internet-based filing system currently located at www.DisclosureUSA.org, or such other similar filing system approved by the Securities and Exchange Commission.

"*Dissemination Agent*" shall mean U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the County and which has filed with the County and the Trustee a written acceptance of such designation.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at http://www.sec.gov/info/municipal/nrmsir.htm.

"*Official Statement"* means the final Official Statement dated May 23, 2007, relating to the 2007 Certificates.

"*Participating Underwriter*" shall mean any of the original underwriters of the 2007 Certificates required to comply with the Rule in connection with offering of the 2007 Certificates.

"*Repository*" shall mean each National Repository and each State Repository.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State Repository*" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the County's fiscal year (which fiscal year currently ends on June 30), commencing with the report for the 2006/07 fiscal year, provide to each Repository (or, in lieu of providing to each Repository, provide to the CPO) an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. 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 5(c). The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing an Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the County of such failure to receive the report. The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the County and shall have no duty or obligation to review such Annual Report. If the County is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the County shall, by written direction, cause the Dissemination Agent to provide to each Repository and to the Municipal Securities

Rulemaking Board and each State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the County or the Dissemination Agent may file such notice with the CPO.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the County for the preceding fiscal year, substantially similar to that provided in the following tables and charts in APPENDIX A of the Official Statement:

(i) County of San Joaquin Investment Pool;

(ii) County of San Joaquin Assessed Valuation of Property Subject to Ad Valorem Taxation;

(iii) County of San Joaquin Summary of Ad Valorem Property Taxation;

(iv) County of San Joaquin Unsecured Property Tax Roll;

(v) Summary of Supplemental Ad Valorem Property Tax Roll;

(vi) Redevelopment Agency Projects of Cities in San Joaquin County Frozen Base Value, Full Cash Value Increments and Tax Allocations;

(vii) County of San Joaquin Ten Largest Taxpayers;

(viii) County of San Joaquin County Facilities Fees Schedule;

(ix) County of San Joaquin General Fund Combined Balance Sheet;

(x) County of San Joaquin General Fund Comparison of Revenues, Expenditures and Fund Balances;

(xi) County of San Joaquin Adopted General Fund Budget;

(xii) County of San Joaquin Long-Term Obligations; and

(xiii) County of San Joaquin Long-Term General Fund Indebtedness, Annual Gross Debt Service and Projected Related Revenue Sources.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Agreement, the County shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2007 Certificates, if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.

(vii) Modifications to rights of Certificate holders.

(viii) Contingent or unscheduled prepayment of 2007 Certificates.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the securities.

(xi) Rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the County shall, by written direction, cause the Dissemination Agent to promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2007 Certificates pursuant to the Trust Agreement. In lieu of filing the notice of a Listed Event with each Repository in accordance with this paragraph, the County or the Dissemination Agent may file such notice of a Listed Event with the CPO.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the 2007 Certificates. If such termination occurs prior to the final maturity of the 2007 Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. Any Dissemination Agent may resign by providing thirty (30) days written notice to the County and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2007 Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2007 Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2007 Certificates in the manner provided in the Trust Agreement for amendments to the Trust

Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2007 Certificates.

(d) no amendment shall modify any rights or obligations of the Dissemination Agent without its written consent.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. <u>Additional Information</u>. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. <u>Default</u>. In the event of a failure of the County to comply with any provision of this Disclosure Agreement any Participating Underwriter or any holder or beneficial owner of the 2007 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. <u>Duties, Immunities and Liabilities of Dissemination Agent</u>. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the County from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the County hereunder including the Annual Report and shall not be deemed to be acting in any fiduciary capacity for the County, Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon and directions from the County, or an opinion of nationally recognized bond counsel. The Dissemination Agent shall not have any liability to any party for any monetary damages or other financial liability of any kind whatsoever related to or arising from any breach of this Continuing Disclosure Agreement. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2007 Certificates.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the 2007 Certificates, and shall create no rights in any other person or entity.

COUNTY OF SAN JOAQUIN

By ______________________________
County Administrator

ACCEPTANCE OF
DISSEMINATION AGENT:
The undersigned hereby accepts the designation of Dissemination Agent and agrees to further the duties set forth in Section 3(c) of the foregoing Continuing Disclosure Agreement.

U.S. BANK NATIONAL ASSOCIATION

By:______________________________
Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	County of San Joaquin
Name of Issue:	County of San Joaquin Certificates of Participation, Series 2007 (County Administration Building)
Date of Issuance:	June 7, 2007

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named 2007 Certificates as required by the Continuing Disclosure Agreement dated as of June 1, 2007, by and between U.S. Bank National Association, as trustee, and the County. The County anticipates that the Annual Report will be filed by ________________.

Dated:_______

U.S. BANK NATIONAL ASSOCIATION

By ________________________________

cc: Trustee

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information concerning DTC set forth herein has been supplied by DTC, and the County assumes no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Trust Agreement, DTC will act as Securities Depository for the 2007 Certificates. The 2007 Certificates 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 2007 Certificate will be issued for each maturity of the 2007 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 transfer 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Federal Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation. (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and 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 Standard & Poor's highest rating of "AAA." The DTC Rules applicable to its Participants are on file with the Securities Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the 2007 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2007 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2007 Certificates, except in the event that use of the book-entry system for the 2007 Certificates is discontinued.

To facilitate subsequent transfers, all 2007 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2007 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. 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. THE COUNTY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2007 CERTIFICATES.

Prepayment notices shall be sent to DTC. If less than all of the 2007 Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Voting Rights. Neither DTC nor Cede & Co. will consent or vote with respect to the 2007 Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer 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 the 2007 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment Proceeds. Payments of principal and interest with respect to the 2007 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. 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 nor its nominee, the Trustee, the County or its members, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of 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.

THE TRUSTEE AND THE COUNTY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE 2007 CERTIFICATES UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF 2007 CERTIFICATES, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE 2007 CERTIFICATES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE 2007 CERTIFICATES UNDER THE TRUST AGREEMENT; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL

REDEMPTION OF THE 2007 CERTIFICATES; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE 2007 CERTIFICATES; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2007 CERTIFICATES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE 2007 CERTIFICATES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2007 CERTIFICATES (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN)

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the 2007 Certificates, payment of principal and interest with respect to the 2007 Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial owner interest in such 2007 Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the 2007 Certificates at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2007 Certificates are required to be printed and delivered as described in the Trust Agreement.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2007 Certificates will be printed and delivered as described in the Trust Agreement and payment of interest to each Owner who owns of record $1,000,000 or more in aggregate principal amount of 2007 Certificates may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

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APPENDIX G

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

____
President

Attest: ______________________________
Assistant Secretary

STD-R-CA-7
01/05