Sample submission package for reporting issuance of Pension Obligation Bonds to the State Controller's Office, Cost Allocation Plans Unit:

Date:

State Controller's Office
Cost Plans and Apportionments Section
P.O. Box 942850
Sacramento, CA 94250

Re: Klamath County Pension Obligation Bonds

Gentlemen:

Enclosed are the following documents that pertain to Klamath County's 2004 Pension Obligation Bonds:

Attachment A;	Bond Statement
Attachment B:	Plan of Financing
Attachment C:	Schedule 1, Klamath County Unfunded Actuarial Accrued Liability as of XX/XX/XX
Attachment D:	Schedule 2, Klamath County Estimated Savings due to Issuance of POBs
Attachment E:	Receipt of Klamath County Employees' Retirement System
Attachment F:	Narrative on Methodology Used to Charge Departments for Annual Debt Service
Attachment G:	Calculation of Rates for POB Debt Service

Should you have any questions or additional documentation you can contact me at XXX-XXX-XXXX

Sincerely,

Joseph D. Auditor

NEW ISSUE
Taxable (Federal)
Tax-Exempt (State of California)

FULL BOOK-ENTRY

$35,175,000
COUNTY OF [redacted]
TAXABLE PENSION FUNDING BONDS, SERIES A

Dated: Date of Delivery *Due: August 15, as shown below*

The County of [redacted] Taxable Pension Funding Bonds, Series A (the "Bonds") are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Payments of principal of and interest on the Bonds will be paid by U.S. Trust Company of California, N.A., as trustee (the "Trustee"), to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "APPENDIX C — BOOK ENTRY SYSTEM."

The Bonds are being issued pursuant to the Trust Agreement, dated as of December 1, 1997 (the "Trust Agreement") between the County of [redacted] (the "County") and the Trustee, will be dated the date of delivery and will mature in the years and amounts as set forth below.

Interest in the Bonds will be payable semiannually on February 15 and August 15 of each year, commencing February 15, 1998.

The Bonds are not subject to optional redemption prior to maturity.

The Bonds are being issued to refund the obligation of the County to the [redacted] County Employees' Retirement System (the "System"), evidenced by a debenture (the "Debenture") executed by the County in favor of the System, and to pay the costs of issuance associated therewith. Pursuant to the County Employees Retirement Law of 1937, as amended (the "Retirement Law"), the County Board of Supervisors is obligated to appropriate and make payments to the System for certain amounts arising as a result of retirement benefits accruing to members of the System and their beneficiaries. In respect of such statutory obligation, the County has executed the Debenture. The Debenture and the Bonds are absolute and unconditional obligations imposed upon the County by law and enforceable against the County pursuant to the Retirement Law and are not limited as to payment to any special source of funds of the County. See "PLAN OF FINANCING" herein.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS WITH RESPECT TO THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY OR THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITY SCHEDULE*

$6,430,000 Serial Bonds

Maturity (August 15)	Principal Amount	Interest Rate	Price or Yield	Maturity (August 15)	Principal Amount	Interest Rate	Price or Yield
2000	$ 225,000	6.10%	100%	2004	$1,060,000	6.35%	6.40%
2001	880,000	6.20	100	2005	1,130,000	6.40	6.44
2002	935,000	6¼	6.28	2006	1,205,000	6⅜	6.42
2003	995,000	6.30	6.33				

$2,655,000 6.45% Term Bonds due August 15, 2008 @ 6.46%
$6,490,000 6.66% Term Bonds due August 15, 2012 @ 100%
$8,480,000 6.72% Term Bonds due August 15, 2016 @ 100%
$11,120,000 6.82% Term Bonds due August 15, 2020 @ 100%

No attempt has been or will be made to comply with certain requirements relating to the exclusion from gross income for federal income tax purposes of interest on the Bonds. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, court decisions and the California Constitution, interest on the Bonds is exempt from present State of California personal income taxes. No opinion is expressed as to the exclusion from gross income for federal income tax purposes of interest on the Bonds or regarding any other federal or state tax consequences relating to the accrual or receipt of interest on the Bonds. See "Tax Matters" herein.

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for County by the County Counsel. It is anticipated that the Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about December 4, 1997.

MORGAN STANLEY DEAN WITTER

Dated: November 19, 1997

ATTACHMENT A.

PLAN OF FINANCING

The bonds are being issued for the purpose of refunding the Debenture and the obligations of the county with respect to the retirement benefits represented thereby. the Debentures evidences the County's current Unfunded Accrued Actuarial Liability (UAAL) to the System. Upon the issuance of the Bonds, the proceeds of the Bonds will be deposited with the Trustee. The Trustee will transfer to the System the portion of the proceeds of the Bonds equal to the principal amount of the Debenture, to refund the Debenture and the obligation represented thereby. Such proceeds will be invented by the System in accordance with its stated investment policy. The balance of the proceeds will be remitted to or, upon the order of the County applied to pay costs of issuance of the Bonds.

As a consequence of the transfer of proceeds to the System, the County anticipates that it will be relieved of the obligation to make the annual payments to the System with respect to its current UAAL that, over time, would have amortized such liability. The currently estimated schedule of such payments has a remaining term of 23 years and 7 months, at an amount equal to $X,XXX,XXX in each fiscal year. The amortization schedule for the Bonds is similar to the amortization schedule for the County's current UAAL. The most recent actuarial analysis of the System, which estimated the County's unfunded pension benefit liability to the $XX,XXX,XXX as of XX/XX/XX, assumed and X% discount rate, reflecting a anticipated reinvestment rate on the System's investment portfolio. Andy change in the actuarial assumptions underlying the calculations of the unfunded liability doe to a reduced reinvestment rate on the System's investment portfolio could minimize or negate the advantages to the County of prepayment of its unfunded pension benefit liability. In additions, the unfunded liability may be affected by certain other factors, including, without limitation, inflationary factors, changes in statutory provisions of the Retirement law and changes in the levels of benefits provided or in the contribution rates of the County.

ATTACHMENT C

[redacted] County Unfunded Actuarial Accrued Liability ("UAAL") as of 6/30/03

SCHEDULE #1 [a]

Valuation Fiscal Year	Payment Fiscal Year	Beginning of Year Balance	Annual Payment	Interest Paid (8.16% actuarial rate)	Principal Paid	End of Year Balance
2003	2005	$476,912,000	$34,517,100	$37,653,029	($3,135,929)	$480,047,929
2004	2006	$480,047,929	$35,984,077	$37,855,244	($1,871,167)	$481,919,096
2005	2007	$481,919,096	$37,513,400	$37,951,973	($438,572)	$482,357,668
2006	2008	$482,357,668	$39,107,720	$37,929,424	$1,178,296	$481,179,372
2007	2009	$481,179,372	$40,769,798	$37,772,459	$2,997,339	$478,182,033
2008	2010	$478,182,033	$42,502,515	$37,464,476	$5,038,039	$473,143,994
2009	2011	$473,143,994	$44,308,871	$36,987,277	$7,321,595	$465,822,399
2010	2012	$465,822,399	$46,191,998	$36,320,930	$9,871,068	$455,951,331
2011	2013	$455,951,331	$48,155,158	$35,443,619	$12,711,540	$443,239,792
2012	2014	$443,239,792	$50,201,753	$34,331,472	$15,870,281	$427,369,511
2013	2015	$427,369,511	$52,335,327	$32,958,389	$19,376,938	$407,992,572
2014	2016	$407,992,572	$54,559,578	$31,295,844	$23,263,734	$384,728,838
2015	2017	$384,728,838	$56,878,361	$29,312,679	$27,565,682	$357,163,157
2016	2018	$357,163,157	$59,295,691	$26,974,869	$32,320,822	$324,842,334
2017	2019	$324,842,334	$61,815,758	$24,245,280	$37,570,478	$287,271,856
2018	2020	$287,271,856	$64,442,927	$21,083,400	$43,359,528	$243,912,328
2019	2021	$243,912,328	$67,181,752	$17,445,048	$49,736,704	$194,175,624
2020	2022	$194,175,624	$70,036,976	$13,282,059	$56,754,917	$137,420,707
2021	2023	$137,420,707	$73,013,548	$8,541,945	$64,471,603	$72,949,104
2022	2024	$72,949,104	$76,116,624	$3,167,519	$72,949,104	$0
		Total:	$1,054,928,933	$578,016,933	$476,912,000	

(a) Provided by The Segal Company, actuary to San Bernardino County Employees' Retirement Association; based upon the June 30, 2003 actuarial report

ATTACHMENT D

[redacted] County Estimated Savings due to Issuance of POBs

SCHEDULE #2 (Prepared by Goldman Sachs, POBs underwriter)

Example of Projected 2004 Pension Obligation Debt Service

Fiscal Year End	Annual UAAL Payment	Pension Obligation Bonds: Total Principal	Fixed Rate Interest Cost (a)	Variable Rate Interest Costs (b)	Bond Related Annual Expenses (c)	Total Annual POB Debt Service	Gross Savings Under UAAL
6/30/2004	$0						
6/30/2005	$34,517,100	$0	$11,472,723	$8,550,000	$410,000	$20,432,723	$14,084,377
6/30/2006	$35,984,077	$675,000	$17,201,845	$8,550,000	$410,000	$26,836,845	$9,147,232
6/30/2007	$37,513,400	$2,245,000	$17,163,175	$8,550,000	$410,000	$28,368,175	$9,145,225
6/30/2008	$39,107,720	$3,935,000	$17,067,802	$8,550,000	$410,000	$29,962,802	$9,144,918
6/30/2009	$40,769,798	$5,765,000	$16,896,052	$8,550,000	$410,000	$31,621,052	$9,148,746
6/30/2010	$42,502,515	$7,760,000	$16,634,987	$8,550,000	$410,000	$33,354,987	$9,147,528
6/30/2011	$44,308,871	$9,935,000	$16,269,565	$8,550,000	$410,000	$35,164,565	$9,144,306
6/30/2012	$46,191,998	$12,305,000	$15,778,879	$8,550,000	$410,000	$37,043,879	$9,148,119
6/30/2013	$48,155,158	$14,900,000	$15,148,790	$8,550,000	$410,000	$39,008,790	$9,146,368
6/30/2014	$50,201,753	$17,730,000	$14,364,701	$8,550,000	$410,000	$41,054,701	$9,147,052
6/30/2015	$52,335,327	$20,820,000	$13,406,473	$8,550,000	$410,000	$43,186,473	$9,148,854
6/30/2016	$54,559,578	$24,190,000	$12,263,923	$8,550,000	$410,000	$45,413,923	$9,145,655
6/30/2017	$56,878,361	$27,845,000	$10,928,677	$8,550,000	$410,000	$47,733,677	$9,144,684
6/30/2018	$59,295,691	$31,820,000	$9,367,046	$8,550,000	$410,000	$50,147,046	$9,148,645
6/30/2019	$61,815,758	$36,580,000	$7,982,128	$7,736,088	$369,285	$52,667,501	$9,148,257
6/30/2020	$64,442,927	$41,535,000	$6,859,020	$6,586,730	$316,097	$55,296,847	$9,146,080
6/30/2021	$67,181,752	$46,880,000	$5,621,280	$5,276,015	$255,751	$58,033,046	$9,148,706
6/30/2022	$70,036,976	$52,670,000	$4,227,580	$3,802,423	$187,928	$60,887,931	$9,149,045
6/30/2023	$73,013,548	$58,935,000	$2,665,040	$2,152,653	$112,020	$63,864,712	$9,148,836
6/30/2024	$76,116,624	$65,710,000	$919,940	$312,123	$27,356	$66,969,418	$9,147,206
	$1,054,928,933	$482,235,000	$232,239,627	$145,566,030	$7,008,437	$867,049,094	$187,879,838

(a) Includes interest on current interest bonds, accrued interest on zero coupon bonds and fixed rate payments on interest rate exchange agreements ("synthetic fixed rate interest")
(b) Assumes variable interest rate equal to 20 year average of 1 month LIBOR (5.70%)
(c) Annual expenses required to issue bonds and to keep them outstanding including broker dealer, auction agent, rating agency, trustee fees and credit support, if any.

RECEIPT OF THE KLAMATH COUNTY
EMPLOYEES' RETIREMENT SYSTEM

The undersigned, _____________, Administrator of the Klamath County Employees' Retirement System (the "System"), hereby acknowledges on behalf of the System, receipt for the county of Klamath (the "County") of the date thereof of the amount of $XXX,XXX,XXX in payment of that certain Debenture , dated XX/XX/XX (the "Debenture"), executed by the County in Favor of the System, evidencing the amount of Unfunded Accrued Actuarial Liability of the County to the System as of XX/XX/XX, and the undersigned hereby acknowledges that such amount received is in full satisfaction of and payment for the amount owed by the County pursuant to the Debenture, and that the Debenture has been discharged.

Dated: XX/XX/XX

Klamath County Employee's Retirement System

By ______________________________

ATTACHMENT E

NARRATIVE ON METHODOLOGY USED TO CHARGE DEPARTMENTS FOR ANNUAL POB DEBT SERVICE

The method to be used to determine rates to charge POB debt service to departments is to:

1. Determine the amount of debt service attributable to each employee category, general and safety, based on the actuarially determined split for the UAAL that was funded by this POB.

2. Determine the rate for each employee category by dividing the portion of debt service attributable to safety and general, by the estimated safety and general salaries, respectively.

3. Apply the safety rate from above the safety salaries and the general rate to the general salaries.

4. When calculating the POB rates in each subsequent year, adjust that year's debt service amount for any variance from the prior year's rates, thus assuring that the proper amounts are applied over the life of the POB.

KLAMATH COUNTY
CALCULATION OF RATES FOR POB DEBT SERVICE

	Total	General	Safety
UAAL	$74,949,861	$56,212,396	$18,737,465
As percent of total	100.0000%	75.0000%	25.0000%
Year 1			
Year 1 Debt Service	$2,337,578	$1,753,184	$584,395
	1.00000	0.75000	0.25000
year 1Payroll	$59,365,403	$47,492,322	$11,873,081
Year1 POB Rate		0.03692	0.04922
Actual Collections	$2,295,742	$1,698,421	$597,321
Over/Under Charged	$41,836	$54,763	-$12,927
Year 2			
Year 2 Debt Service	$2,313,053	$1,740,159	$572,894
	1.00000	0.75000	0.25000
Plus Over/Under	-$41,836	-54,763	12,927
Total to charge out	$2,271,218	$1,685,397	$585,821
Year 2 payroll	$60,893,775	$48,352,451	$12,541,324
Year 2 POB Rate		0.03486	0.04671
Actual Collections		$1,688,458	$584,874
Over/Under		-$3,061	$947

Attachment G