

**COUNTY OF MENDOCINO**

**AUDIT REPORT**

**JUNE 30, 2005**

**COUNTY OF MENDOCINO  
AUDIT REPORT  
For the Year Ended June 30, 2005**

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## **INTRODUCTORY SECTION**



**MENDOCINO COUNTY**  
**EXECUTIVE OFFICE**  
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Ukiah, California 95482  
(707) 463-4441  
Fax: (707) 463-5649

April 3, 2006

To The Honorable Members of the Board of Supervisors of Mendocino County:

State law requires that all general-purpose local governments publish within nine (9) months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Effective with the Fiscal Year 2001-2002 budget, regulations were passed (Governmental Accounting Standards Board (GASB)) establishing uniform financial reporting rules for all state and local governments. The new rules for government accounting were established to move government to a higher level of accountability, aiming it easier for our constituents to understand the financial activities of the County. Two major goals were accomplished with these regulations:

1. Required disclosure of the value of the County's infrastructure (roads, buildings, bridges, etc.) including reporting of reduction in value of those assets over time, thereby indicating future costs of replacing infrastructure.
2. Required comprehensive (consolidated) annual report of the County's financial circumstances (Government-Wide Financial Statement).

Pursuant to that requirement, attached please find the comprehensive annual financial report of the County of Mendocino for the fiscal year ended June 30, 2005.

This report consists of the Chief Executive Officer (CEO) and Auditor/Controller's representations concerning the finances of Mendocino County. Consequently, the CEO and Auditor/Controller assume full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the CEO and Auditor/Controller have established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's

financial statements in conformity with GAAP. Because the cost of internal control should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As the CEO and Auditor/Controller, we attest that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Mendocino County's financial statements have been audited by Bartig, Basler & Ray, CPAs Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Mendocino County for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The firm of Bartig, Basler & Ray concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Mendocino County's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements for Mendocino County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

GAAP require that the CEO and Auditor/Controller provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Mendocino County's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The County of Mendocino was one of California's original 27 counties, created in 1850 by the State Legislature and remains a political subdivision, or unit, of the State. Its name is derived from Cape Mendocino, which lies northward of its northern boundary. Cape Mendocino was given its name by a famous Spanish navigator of the 16<sup>th</sup> century, Juan Rodriguez Cabrillo. Cabrillo discovered it in 1542 while on voyage of discovery along the Pacific Coast and named it in honor of Don Antonio de Mendoza, the first Viceroy of New Spain (Mexico), and the patron of the voyageur. The County of Mendocino currently occupies a land area of 3,510 square miles and serves a population of approximately 89,751. The County of Mendocino is empowered to levy a property tax on both real and personal properties located within its boundaries.

The County of Mendocino is a general law County. The Board of Supervisors which serves as the legislative and executive body of the County government and many special districts is comprised of five, full-time members elected by their respective districts. Pursuant to the California Government Code, the Board enacts legislation governing Mendocino County and determines overall policies for County departments and various special districts, adopts the annual budget and fixes salaries.

The Board also hears appeals from decisions for the Planning Commission, considers General Plan amendments, and sits as the Board of Equalization to provide taxpayers with a system for appealing the valuation placed on their property by the Assessor. The Chief Executive Officer is appointed by the Board and is responsible for day-to-day administration of County affairs.

The County of Mendocino provides a full range of services, including public protection; public ways and facilities; health and sanitation; public assistance; education; and recreation and culture. There are also lighting districts, a sanitation district, an air quality management district and public facilities corporation, which are considered components of the County and therefore have been included as an integral part of the County of Mendocino's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to financial statements.

The annual budget serves as the foundation for the County of Mendocino's financial planning and control. All departments of the County of Mendocino are required to submit requests for appropriations to the Chief Executive Officer. The Executive Officer uses these requests as the starting point for developing a proposed budget. The Chief Executive officer then presents this proposed budget to the Board of Supervisors for review in late June each year. The Board is required to hold public hearings on the proposed budget and to adopt a final budget no later than October 1<sup>st</sup> of each year. The appropriated budget is prepared by fund, function (e.g., public protection), and department (e.g., Probation Department). Department Heads may make transfers of appropriations within a department with the Chief Executive Officer's approval. The Chief Executive Officer is also authorized to approve transfers of appropriations between departments in an amount not to exceed \$10,000. Transfer requests in excess of \$10,000 require the special approval of the Board of Supervisors. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on pages 59-60 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 61.

### **Factors Affecting Financial Condition**

**Local Economy.** The County of Mendocino typically has had a thriving economy. The service industry is the largest and fastest growing segment of its economy with the County's traditional economic base – agriculture, the timber industry and other natural resource based industries – continuing to play a large role in the County's economy. Manufacturing is the second largest

earner in the County and is the fourth largest employer. The influence of agriculture on this sector is easily seen in the significant growth of wine and food product manufacturing. The tourism industry, always an important contributor to the coastal economy, is becoming a larger economic force throughout the entire County. The increase in tourism has a positive impact on retail trade, which is already the County's second largest employer. The County's third largest employer is the government sector.

### **Long-term Financial Planning**

While, the County's annual budgets must be responsive to local economic conditions and actions of the State, thereby limiting its ability to develop long-term plans to address all contingencies. The County of Mendocino has been fiscally prudent in the establishment of various reserves to allow maintaining strong financial and asset foundations. Those reserves include: General Reserve (\$2.7 million), Information Technology Reserve, Building Maintenance Reserve, Vehicle Replacement Reserve.

The County uses a conservative method of Net County Cost basis of budgeting. In recent years, the County of Mendocino has experienced significant fund balances. Those available, unreserved fund balances were used to help finance either new or on-going levels of service or programs. However, due to this year's economic down turn and reductions in nonrecurring revenues, the County has eliminated its dependence on fund balance carry-forward, and budgets based on matching recurring revenues with recurring expenses.

Other financial planning efforts established and designed to avoid significant fluctuations in the demand upon the County's General Fund include:

- Establishment of multi-year Memorandum of Understandings with bargaining units to set County obligations at a specific level, one that is within projected revenue growth.
- Establishment of a trend adjustment for health care premiums to address the inflationary costs of employee health care.
- Establishment of a temporary reserve to address IHSS provider of record costs until such a time (2 fiscal years) as the costs are addressed within the state allocation to the County.
- Maintaining of the General Reserve, Building Maintenance Reserve, IT Reserve, Vehicle Replacement Fund, Reserve for Debt Management, and Unfunded Accrued Actuarial Liability (UAAL), a new policy, aimed at controlling the growth in UAAL within the Employees' Retirement Fund.
- Reductions in Force through maintaining existing vacancies, planning for and maintaining future vacancies (salary savings), voluntary time off (VTO), furloughs, and/or layoffs.

**Cash Management Policies and Practices.** Cash temporarily idle during the year was invested in medium-term notes, negotiable certificates of deposit, federal agency obligations, commercial paper, the State Local Agency Investment Fund, and mutual funds. The maturities of the



investments range from one (1) day to fifteen (15) years, with an average maturity of eight (8) months. The average yield on investments was 4.42% for the County. Investment income includes appreciation in the fair market value of investments. Increases in fair market value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair market value of investments that the governments intends to hold to maturity.

**Risk Management.** The County has four (4) risk management funds to administer the County's insurance programs that are fully or partially self-insured. The fifth risk management fund, Workers' Compensation fund, is a fully funded program. Fund revenues are primarily premium charges to other departments and funds are planned to equal estimated expenses resulting from the self-insurance program including claims expenses, and other operating expenses. Liability for unpaid claims is subject to change due to future re-estimations of claims by program administrators, inflation, and changes in laws and regulations. The primary activities of the funds consist of risk management programs related to the following:

- ❖ Unemployment Insurance – the County is self-insured.
- ❖ General Liability Insurance – the County maintains a self-insured retention of \$200,000 per occurrence for this program. Losses which exceed the self-insured retention are covered by excess insurance obtained through CSAC – Excess Insurance Authority.
- ❖ Workers' Compensation – fully funded program.
- ❖ Health Insurance – the County maintains a self-insured retention of \$175,000 per year for each enrollee. Losses which exceed the self-insured retention are covered by excess insurance. The program is administered by the County's Risk Management, assisted by health plan consultants, Driver Alliant Insurance Services.
- ❖ Retiree Health Insurance – the County maintains a self-insured retention of \$100,000 per year for each enrollee. Losses which exceed the self-insured retention are covered by excess insurance. The program is administered by the County's Risk Management, assisted by health plan consultants, Driver Alliant Insurance Services.

Additional information on the County of Mendocino's risk management activity can be found in Note 17 of the notes to the financial statement.

### **Pension and Other Post Employment Benefits**

The County of Mendocino participates in the Mendocino County Retirement Association, a multiple employer defined benefit pension plan, which serves the employees of the County and two special districts. It was established under the County Employee Retirement Act of 1937. The Association uses an entry age normal method with a supplemental present value for its actuarial computations.

The County of Mendocino also provides postretirement medical benefits for retirees who have at least ten years of County service. As of the end of the current fiscal year, there were 807 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information about pension benefits can be found in Notes 13 and 14 to the financial statements.

Respectfully submitted,

/s/ Alison Glassey

/s/ Dennis Huey

Alison Glassey  
Assistant Chief Executive Officer

Dennis Huey  
Auditor-Controller

## **FINANCIAL SECTION**

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# Bartig, Basler & Ray

A Professional Corporation

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Certified Public Accountants and Management Consultants

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Frank V. Trythall  
Brad W. Constantine  
Bruce W. Stephenson  
Roseanne M. Lopez  
Jason J. Cardinet  
Tyler K. Hunt

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Curtis A. Orgill  
M. Elba Zuniga

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors and Grand Jury  
County of Mendocino  
Ukiah, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mendocino, California, (the County), as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pension Trust Fund, a Fiduciary Fund, which statements reflect total assets of \$288,238,797 as of June 30, 2005, and total operating revenues of \$37,332,080 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included in the Pension Trust Fund, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 provides a reasonable basis for our opinion.

In our opinion, based on our audit, and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2005, 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.

To the Board of Supervisors and Grand Jury  
County of Mendocino

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated November 17, 2005, 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the County of Mendocino's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory 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 them.

BARTIG, BASLER & RAY, CPAs, INC.

*Bartig, Basler & Ray, CPAs, Inc.*

November 17, 2005  
Roseville, California

**MENDOCINO COUNTY**  
**Management's Discussion and Analysis**  
**June 30, 2005**

**Prepared By: Alison Glassey, Assistant Chief Executive Officer**  
**Dennis Huey, Auditor-Controller**

As management of Mendocino County, we offer readers of the County of Mendocino's financial statement this narrative overview and analysis of the financial activities of Mendocino County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages i-vi).

**Financial Highlights**

- ❖ The County of Mendocino's liabilities exceeded its assets at the close of the most recent fiscal year by \$55,494,829 (net assets). Of this amount (\$113,807,807) (unrestricted net assets) was available to meet the County's ongoing obligations to citizens and creditors.
- ❖ The County's total net assets increased by \$3,042,376. The reason for the increase was an increase in miscellaneous revenues.
- ❖ At the close of the current fiscal year, the County's combined (all funds) ending fund balance was \$8,334,163. This was an increase of \$2,937,008 in comparison with the prior year. Approximately 22% of this total amount or \$1,789,941 is available for spending at the government's discretion.
- ❖ Unreserved fund balance for the General Fund at the close of the current fiscal year was \$(135,720) or 0% of total general fund expenditures.
- ❖ Total debt decreased by \$4,014,321 (2.8%) during the 2004/05 Fiscal Year.

**Overview of the Financial Statements.** This discussion and analysis is intended to serve as an introduction to the County of Mendocino's basic financial statements. The County's basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Individual Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains additional supplementary information to the basic Financial Statements.

**Government-wide Financial Statements.** The Government-wide Financial Statements are designed to provide readers with a broad overview of the County of Mendocino's finances, in a manner similar to a private-sector business. It is comprised of a Statement of Net Assets and Statement of Activities.

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 Mendocino County is improving or deteriorating.

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

**MENDOCINO COUNTY**  
**Management's Discussion and Analysis**  
**June 30, 2005**

Both of the Government-wide Financial Statements distinguish functions of the County of Mendocino that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees, fines and charges for service. The governmental activities of the County include: General Government, Public Protection, Public Ways and Facilities (Transportation), Health and Sanitation, Public Assistance, Education, Recreation and Culture, and Debt Service and Contingencies. Internal Service Funds that provide insurance coverage, computer software acquisition and vehicle replacement are also included in governmental activities.

The Government-wide Financial Statements include not only the County of Mendocino itself (known as the primary government), but also several legally separate lighting districts, a sanitation district, a water agency, an air quality management district, and a public facilities corporation for which the County is financially accountable. Financial information for these component units, with the exception of the Water Agency and Air Quality Management District, is reported separately from the financial information presented for the primary government itself. The Water Agency and Air Quality Management District, although also legally separate, function for all practical purposes as departments of the County, and therefore have been included as an integral part of the primary government.

The Government-wide Financial Statements can be found on pages 13-14 of this report.

**Individual Fund Financial Statements.** A fund is a grouping 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 compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

**MENDOCINO COUNTY**  
**Management's Discussion and Analysis**  
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The County of Mendocino maintains thirty-nine 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 Balances for the general fund, the debt service fund, pension obligation bonds fund and the mental health services fund, all of which are considered to be major funds. Data from the other thirty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County of Mendocino adopts an annual appropriated budget for its General Fund. A budgetary comparison statement (page 59) has been provided for the general fund to demonstrate compliance with this budget.

The basic Governmental Fund Financial Statements can be found on pages 15-20 of this report.

**Proprietary Funds.** The County maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County of Mendocino's various functions. The County uses internal service funds to account for its fleet of vehicles, its management information systems and for self-insurance coverage. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

All of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

**Fiduciary Funds.** 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 statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic Fiduciary Fund Financial Statement can be found on pages 25 and 26 of this report.

**Notes to Financial Statements.** The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-57 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information can be found on pages 58-64 of this report.



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**Management's Discussion and Analysis**  
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The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 65-95 of this report.

**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 of Mendocino, liabilities exceeded assets by \$55,494,829 at the close of the 2004/05 Fiscal Year.

By far the largest portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County of Mendocino'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.

**County of Mendocino's Net Assets**

	Governmental Activities	
	2005	2004
Current and other assets	\$ 29,194,625	\$ 26,708,421
Capital assets	81,053,084	85,220,610
Total Assets	110,247,709	111,929,031
Long-term liabilities - outstanding	127,339,874	131,108,820
Other liabilities	38,402,664	39,357,416
Total Liabilities	165,742,538	170,466,236
Net Assets:		
Invest in capital assets, net of related debt	50,149,953	53,459,274
Restricted	8,163,025	10,193,156
Unrestricted	(113,807,807)	(122,016,700)
Total Net Assets	\$ (55,494,829)	\$ (58,537,205)

\*Because Internal Service funds predominantly benefit governmental rather than business-type functions they have been included within governmental activities.

Investments in capital assets are subject to various external restrictions on how they may be used. The remaining negative balance of unrestricted net assets in the amount of (\$113,807,807) cannot be used to meet the County's ongoing obligations to citizens and creditors.

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**Governmental Activities.** Governmental activities increased the County's net assets by \$3,042,376. Key elements of this increase are increases in property taxes received in lieu of vehicle license fees.

**County of Mendocino's Changes in Net Assets**

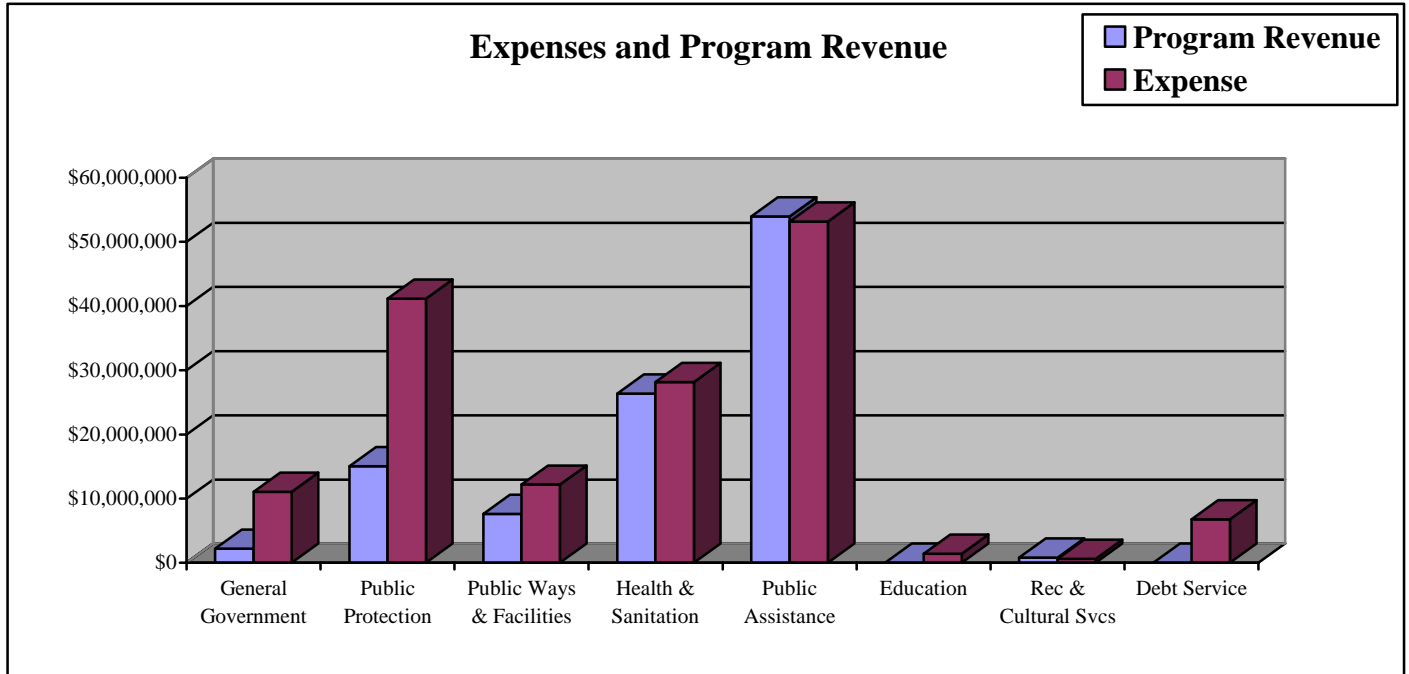
<b>Revenues</b>	2005	2004
<b>Program Revenues:</b>		
Charges for services	\$ 13,626,807	\$ 16,953,186
Operating grants & contributions	80,202,384	92,454,273
Capital grants & contributions	3,338,131	1,989,607
<b>General Revenues:</b>		
Property taxes	30,588,431	21,975,200
Sales & use taxes	9,359,157	10,011,437
Unrestricted interest & investment earnings	1,219,264	788,380
Other	4,240,384	4,053,745
Miscellaneous	15,982,104	4,125,386
<b>Total Revenues</b>	158,556,662	152,351,214
<b>Expenses</b>		
<b>Expenses:</b>		
General government	11,066,239	13,634,772
Public protection	41,151,247	41,228,176
Public ways & facilities	12,185,410	8,427,070
Health & sanitation	28,145,532	27,560,741
Public assistance	53,159,580	54,493,812
Recreation and cultural services	592,671	104,711
Interest on long-term debt	6,765,715	7,859,907
Education	1,386,637	1,572,419
<b>Total Expenses</b>	154,453,031	154,881,608
<b>Change in Net Assets</b>	4,103,631	(2,530,394)
<b>Prior Period Adjustment</b>	(1,061,255)	1,132,884
<b>Beginning Net Assets</b>	(58,537,205)	(57,139,695)
<b>Ending Net Assets</b>	\$ (55,494,829)	\$ (58,537,205)

\*Because Internal Service funds predominantly benefit governmental rather than business-type functions they have been included within governmental activities.

**MENDOCINO COUNTY**  
**Management's Discussion and Analysis**  
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- ❖ Property taxes increased by \$8,613,231(28.2%) during the year. Most of this increase is attributable to the State's Vehicle License Fee Swap. There is a corresponding decrease in State revenue.

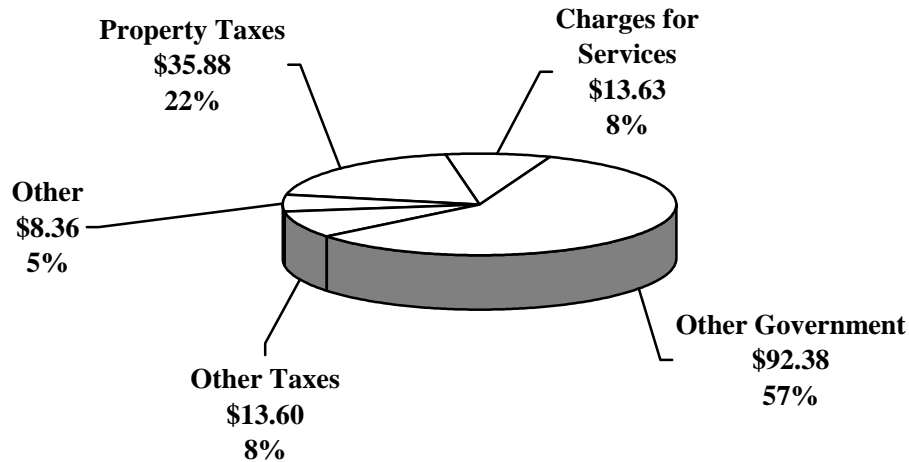
**Expenses and Program Revenues – Governmental Activities**



<b>Governmental Funds</b>	<b>Program Revenue</b>	<b>Expense</b>
General Government	\$2,213,431	\$11,066,239
Public Protection	\$15,060,698	\$41,151,247
Public Ways & Facilities	\$7,615,290	\$12,185,410
Health & Sanitation	\$26,372,219	\$28,145,532
Public Assistance	\$53,948,546	\$53,159,580
Education	\$3,342	\$1,386,637
Rec & Cultural Svcs	\$793,478	\$592,671
Debt Service	\$0	\$6,765,715

**MENDOCINO COUNTY**  
**Management's Discussion and Analysis**  
**June 30, 2005**

**Revenues by Source (in millions) – Governmental Activities**



The largest portion of revenue received by the County comes from Federal and State sources (approximately 57%). The second largest source comes from property taxes (22%). However, it should be noted that of every \$1.00 collected in property tax approximately 63% benefits schools, with 30% going toward the funding of County services and programs. Cities receive 2% and Special Districts receive 5%. Only 30% of total revenue received is discretionary (not dedicated to particular services/programs).

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. A noteworthy exception, however, was in the area of General Government. In this instance, the decrease in Operating Grants and Revenue of \$12,251,889 is primarily due to a reduction of State and Federal funding available for services to local governments and shifting Vehicle License Fees to Property Tax (VLF Swap).

**Business-type activities.** None of Mendocino County's funds are classified as business-type activities.

**Financial Analysis of the Government's Funds.** As noted earlier, the County of Mendocino uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**MENDOCINO COUNTY**  
**Management's Discussion and Analysis**  
**June 30, 2005**

**Governmental funds.** The focus of the County of Mendocino's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County of Mendocino's governmental funds reported combined ending fund balances of \$8,334,163, an increase of \$2,937,008 from the prior year. Some of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$220,127); 2) to pay debt service (\$5,346,521); 3) for a variety of other restricted purposes (\$977,574).

The general fund is the chief operating fund of the County of Mendocino. At the end of the current fiscal year, unreserved fund balance of the general fund was \$(135,720), while total fund balance reached \$201,455.

The fund balance of the County of Mendocino's general fund increased by \$1,486,370 during the 2004/05 Fiscal Year. The key factor in this increase is due to the attributable growth in secured property assessed valuation.

The debt service fund had a total fund balance of \$2,659,866, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$6,818. Interest expenditures, however, also decreased during the current period (\$30,885).

**Proprietary Funds.** The County of Mendocino's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the internal service funds at the end of the year amounted to (\$4,586,541).

**General Fund Budgetary Highlights.** Difference between the original budget and the final amended budget is summarized below:

- ❖ Appropriated \$139,427 from Designated Reserve funds to Solid Waste Division for pumper truck purchase.

**MENDOCINO COUNTY**  
**Management's Discussion and Analysis**  
**June 30, 2005**

**Capital Asset and Debt Administration**

**Capital assets.** The County of Mendocino's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$81,053,084 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the County of Mendocino's investment in capital assets for the current fiscal year was 5%.

**County of Mendocino's Capital Assets**  
(Net of Depreciation)

	2005	2004
Land	\$ 3,298,969	\$ 3,298,969
Building and system	44,588,996	42,134,365
Improvements other than buildings	139,817	141,917
Machinery and equipment	6,708,404	8,694,266
Infrastructure	23,152,727	24,372,126
Construction in progress	3,164,171	6,578,967
Total	\$ 81,053,084	\$ 85,220,610

Long-term debt. At the end of the current fiscal year, the County of Mendocino has total debt outstanding of \$138,621,122.

**County of Mendocino's Outstanding Debt**  
General Obligation and Revenue Bonds

	2005	2004
General obligation bonds	\$ 99,930,000	\$ 102,270,000
Certificates of Participation-Other	29,230,000	29,800,000
Other (capital leases, comp balances, landfill closure, loans, general liability)	9,461,122	10,565,443
Total	\$ 138,621,122	\$ 142,635,443

The County of Mendocino's total debt decreased by \$4,014,321 (2.8%) during the current fiscal year. The key factor in this decrease was an increase in principal payment on the general obligation bonds.

**MENDOCINO COUNTY**  
**Management's Discussion and Analysis**  
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State statutes limit the amount of general obligation debt a governmental entity may issue at 10% percent of its total assessed valuation. The current debt limitation for the County of Mendocino is \$717,226,206, which is significantly in excess of the County of Mendocino's outstanding general obligation debt.

Additional information on the County of Mendocino's long-term debt can be found in note 10 on pages 47-50 of this report.

**Economic Factors which Impacted Budget.** All of the factors listed below were considered in preparing the County of Mendocino's budget for the 2004/05 fiscal year.

- ❖ The unemployment rate for the County of Mendocino is currently 6.2%, which is significantly higher than the annual national average of 5%.
- ❖ Continued sluggish recovery of national, state & local economies.
- ❖ Increased expenses to employee salaries and benefits due to escalating health and workers compensation insurance costs.
- ❖ The passage of Prop 1A effective this fiscal year, which provides a pay back to the State for assistance in the State's financial difficulties for \$998,000 through FY 2005/06.

**Requests for Information.** The financial report is designed to provide a general overview of the County of Mendocino's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mendocino County Auditor-Controller, 501 Low Gap Road, Ukiah, California, 95482.

**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**



# COUNTY OF MENDOCINO

## Statement of Net Assets June 30, 2005

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Pooled cash and investments in county treasury	\$ 1,909,942
Restricted Assets:	
Cash with fiscal agent	11,012,097
Imprest cash	11,865
Accounts receivable	1,530,794
Property taxes receivable	2,188,338
Interest receivable	192,979
Due from other governments	9,004,272
Inventory	965,709
Deferred charges	2,378,579
Other assets	50
Total Current Assets	<u>29,194,625</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	6,463,140
Depreciable, net	74,589,944
Total Noncurrent Assets	<u>81,053,084</u>
Total Assets	<u>\$ 110,247,709</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts payable	\$ 3,422,504
Accrued salaries and benefits	2,844,446
Due to other governmental agencies	5,295,879
Deferred revenues	6,629,445
Interest payable	3,279,585
Loans payable	34,863
Bonds payable	2,455,000
Certificate of participation	885,000
Liability for unpaid claims	3,376,703
Compensated absences	4,135,722
Capital lease obligation	393,960
Total Current Liabilities	<u>32,753,107</u>
Long-term liabilities, due beyond one year	127,339,874
Accrued landfill closure/postclosure care costs	5,649,557
Total Liabilities	<u>165,742,538</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	50,149,953
Restricted for:	
Debt service	5,105,679
Other purposes	3,057,346
Unrestricted	<u>(113,807,807)</u>
Total Net Assets	<u>(55,494,829)</u>
Total Liabilities and Net Assets	<u>\$ 110,247,709</u>

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

# COUNTY OF MENDOCINO

## Statement of Activities For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 11,066,239	\$ 562,054	\$ 1,651,377	\$ --	\$ (8,852,808)
Public protection	41,151,247	8,603,955	6,456,743	--	(26,090,549)
Public ways and facilities	12,185,410	437,009	3,840,150	3,338,131	(4,570,120)
Health and sanitation	28,145,532	3,569,853	22,802,366	--	(1,773,313)
Public assistance	53,159,580	421,237	53,527,309	--	788,966
Education	1,386,637	1,898	1,444	--	(1,383,295)
Recreation and cultural services	592,671	30,801	762,677	--	200,807
Debt Service:					
Interest	6,765,715	--	--	--	(6,765,715)
Total Governmental Activities	\$ 154,453,031	\$ 13,626,807	\$ 89,042,066	\$ 3,338,131	(48,446,027)
General Revenues:					
Taxes:					
Property taxes					30,588,431
Sales and use taxes					9,359,157
Other					4,240,384
Unrestricted interest and investment earnings					1,219,264
Miscellaneous					7,142,422
Total General Revenues					52,549,658
Change in Net Assets					4,103,631
Net assets - July 1					(58,537,205)
Prior period adjustments					(1,061,255)
Net assets - June 30					\$ (55,494,829)

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

**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

**COUNTY OF MENDOCINO**

Balance Sheet  
Governmental Funds  
June 30, 2005

	General	Debt Service	Pension Obligation Bonds
<b><u>ASSETS</u></b>			
Pooled cash and investments in county treasury	\$ 251	\$ --	\$ 46,183
Restricted Assets:			
Cash with fiscal agent	--	4,053,274	6,958,823
Imprest cash	11,448	--	--
Accounts receivable	653,254	--	221,177
Property taxes receivable	2,188,338	--	--
Interest receivable	192,979	--	--
Due from other governments	4,014,739	--	--
Due from other funds	7,069,623	--	--
Inventory	284,588	--	--
Other assets	50	--	--
Total Assets	\$ 14,415,270	\$ 4,053,274	\$ 7,226,183
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 1,225,490	\$ --	\$ --
Due to other funds	1,516,494	1,247,404	4,400,000
Accrued salaries and benefits	2,364,140	--	--
Matured principal and interest payable	--	146,004	139,528
Deferred revenues	3,811,812	--	--
Advances from other funds	5,295,879	--	--
Total Liabilities	14,213,815	1,393,408	4,539,528
<b><u>FUND BALANCES</u></b>			
Reserved:			
Encumbrances	41,139	--	--
Inventory	284,588	--	--
Imprest cash	11,448	--	--
Debt service	--	2,659,866	2,686,655
Unreserved, reported in:			
General fund	(135,720)	--	--
Special revenue funds	--	--	--
Capital project funds	--	--	--
Debt service funds	--	--	--
Total Fund Balances	201,455	2,659,866	2,686,655
Total Liabilities and Fund Balances	\$ 14,415,270	\$ 4,053,274	\$ 7,226,183

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

continued

**COUNTY OF MENDOCINO**

Balance Sheet (continued)  
Governmental Funds  
June 30, 2005

	Mental Health Services	Other Governmental Funds	Total
<b><u>ASSETS</u></b>			
Pooled cash and investments in county treasury	\$ --	\$ 1,142,988	\$ 1,189,422
Restricted Assets:			
Cash with fiscal agent	--	--	11,012,097
Imprest cash	--	417	11,865
Accounts receivable	139,084	168,257	1,181,772
Property taxes receivable	--	--	2,188,338
Interest receivable	--	--	192,979
Due from other governments	3,687,996	1,301,537	9,004,272
Due from other funds	--	6,072,494	13,142,117
Inventory	--	681,121	965,709
Other assets	--	--	50
Total Assets	\$ 3,827,080	\$ 9,366,814	\$ 38,888,621
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 699,348	\$ 539,313	\$ 2,464,151
Due to other funds	4,251,886	434,293	11,850,077
Accrued salaries and benefits	231,160	236,506	2,831,806
Matured principal and interest payable	--	--	285,532
Deferred revenues	2,583,776	1,431,425	7,827,013
Advances from other funds	--	--	5,295,879
Total Liabilities	7,766,170	2,641,537	30,554,458
<b><u>FUND BALANCES</u></b>			
Reserved:			
Encumbrances	--	178,988	220,127
Inventory	--	681,121	965,709
Imprest cash	--	417	11,865
Debt service	--	--	5,346,521
Unreserved, reported in:			
General fund	--	--	(135,720)
Special revenue funds	(3,939,090)	6,135,910	2,196,820
Capital project funds	--	(30,317)	(30,317)
Debt service funds	--	(240,842)	(240,842)
Total Fund Balances	(3,939,090)	6,725,277	8,334,163
Total Liabilities and Fund Balances	\$ 3,827,080	\$ 9,366,814	\$ 38,888,621

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

## COUNTY OF MENDOCINO

### Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets - Governmental Activities June 30, 2005

Fund Balance - total governmental funds (page 16)	\$ 8,334,163
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred charges in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,378,579
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	1,197,568
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	81,031,129
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:	(4,564,586)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances as of June 30, 2005 are:	
Loans payable	(275,566)
Bonds payable	(99,930,000)
Certificates of participation	(29,230,000)
Capital leases	(1,673,131)
Accrued interest on long-term debt	(2,994,053)
Compensated absences	(4,119,375)
Landfill closure/post closure care costs	<u>(5,649,557)</u>
Net assets of governmental activities (page 13)	<u>\$ (55,494,829)</u>

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

**COUNTY OF MENDOCINO**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Pension Obligation Bonds</u>
<b>Revenues:</b>			
Taxes	\$ 43,800,010	\$ --	\$ --
Licenses, permits and franchises	2,671,874	--	--
Intergovernmental	62,934,742	--	--
Revenue from use of money and property	1,199,222	34,918	--
Fines, forfeitures and penalties	1,342,053	--	--
Charges for services	10,635,093	--	6,741,083
Other revenue	2,715,622	--	238,085
Total Revenues	<u>125,298,616</u>	<u>34,918</u>	<u>6,979,168</u>
<b>Expenditures:</b>			
Current:			
General government	13,519,525	11,458	7,765
Public protection	39,421,869	--	--
Public ways and facilities	116,972	--	--
Health and sanitation	11,897,070	--	--
Public assistance	51,037,841	--	--
Education	202,258	--	--
Recreation and culture services	275,187	--	--
Debt service - principal	--	602,772	2,340,000
Debt service - interest	--	1,475,723	5,718,539
Capital outlay	1,120,495	--	--
Total Expenditures	<u>117,591,217</u>	<u>2,089,953</u>	<u>8,066,304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,707,399</u>	<u>(2,055,035)</u>	<u>(1,087,136)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,641,996	2,048,217	--
Transfers out	(7,882,347)	--	--
Capital leases	19,322	--	--
Total Other Financing Sources (Uses)	<u>(6,221,029)</u>	<u>2,048,217</u>	<u>--</u>
<b>Net change in fund balances</b>	<u>1,486,370</u>	<u>(6,818)</u>	<u>(1,087,136)</u>
Fund balances - beginning	(1,284,915)	2,666,684	3,773,791
Prior period adjustment	--	--	--
Fund balances, restated, beginning	<u>(1,284,915)</u>	<u>2,666,684</u>	<u>3,773,791</u>
Fund balances - ending	<u>\$ 201,455</u>	<u>\$ 2,659,866</u>	<u>\$ 2,686,655</u>

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

continued

## COUNTY OF MENDOCINO

### Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Governmental Funds For the Year Ended June 30, 2005

	Mental Health Services	Other Governmental Funds	Totals
<b>Revenues:</b>			
Taxes	\$ --	\$ 387,962	\$ 44,187,972
Licenses, permits and franchises	--	273,632	2,945,506
Intergovernmental	12,234,098	18,644,778	93,813,618
Revenue from use of money and property	(93,073)	94,193	1,235,260
Fines, forfeitures and penalties	--	283,694	1,625,747
Charges for services	96,468	1,174,919	18,647,563
Other revenue	722,640	248,238	3,924,585
Total Revenues	<u>12,960,133</u>	<u>21,107,416</u>	<u>166,380,251</u>
<b>Expenditures:</b>			
Current:			
General government	--	315,748	13,854,496
Public protection	--	2,663,976	42,085,845
Public ways and facilities	--	10,981,873	11,098,845
Health and sanitation	12,958,428	3,743,184	28,598,682
Public assistance	--	3,127,975	54,165,816
Education	--	1,174,252	1,376,510
Recreation and culture services	--	250,870	526,057
Debt service - principal	--	--	2,942,772
Debt service - interest	--	--	7,194,262
Capital outlay	512	891,045	2,012,052
Total Expenditures	<u>12,958,940</u>	<u>23,148,923</u>	<u>163,855,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,193</u>	<u>(2,041,507)</u>	<u>2,524,914</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	--	5,698,978	9,389,191
Transfers out	(418,181)	(614,127)	(8,914,655)
Capital leases	--	--	19,322
Total Other Financing Sources (Uses)	<u>(418,181)</u>	<u>5,084,851</u>	<u>493,858</u>
<b>Net change in fund balances</b>	<u>(416,988)</u>	<u>3,043,344</u>	<u>3,018,772</u>
Fund balances - beginning	(3,511,086)	3,752,681	5,397,155
Prior period adjustment	(11,016)	(70,748)	(81,764)
Fund balances, restated, beginning	<u>(3,522,102)</u>	<u>3,681,933</u>	<u>5,315,391</u>
Fund balances - ending	<u>\$ (3,939,090)</u>	<u>\$ 6,725,277</u>	<u>\$ 8,334,163</u>

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



**COUNTY OF MENDOCINO**

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Government-Wide Statement of Activities - Governmental Activities  
For the Year Ended June 30, 2005

Net change to fund balance - total governmental funds (page 19)		\$ 3,018,772
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	2,124,594	
Less current year depreciation	<u>(5,296,772)</u>	(3,172,178)
<p>In the statement of activities, the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets.</p>		
		(5,779)
<p>Governmental fund revenues deferred at year end due to unavailability, and therefore, deferred under the modified accrual basis method of accounting, were recognized as revenue on the full accrual method of accounting.</p>		
		(1,066,509)
<p>Loan proceeds and new capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.</p>		
		(19,322)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal and refunded debt repayments:		
Capital leases	480,462	
Loans payable	32,772	
Bonds payable and certificates of participation	<u>2,910,000</u>	3,423,234
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.</p>		
Change in accrued interest on long-term debt	452,557	
Amortization of bond issuance costs	(24,010)	
Change in compensated absences	(104,252)	
Change in liability for closure/post closure care	<u>233,234</u>	557,529
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.</p>		
		<u>1,367,884</u>
Change in net assets of governmental activities (page 14)		<u>\$ 4,103,631</u>

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

**COUNTY OF MENDOCINO**

Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2005

	<u>Governmental Activities</u> Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 720,520
Accounts receivable	349,022
Total Current Assets	<u>1,069,542</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable:	
Equipment	65,262
Accumulated depreciation	(43,307)
Total Noncurrent Assets	<u>21,955</u>
<b>Total Assets</b>	<u><u>\$ 1,091,497</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 958,353
Accrued salaries and benefits	12,640
Compensated absences payable	16,347
Due to other funds	1,292,040
Liability for unpaid claims	3,376,703
Total Current Liabilities	<u>5,656,083</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	21,955
Unrestricted	(4,586,541)
Total Net Assets	<u>(4,564,586)</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,091,497</u></u>

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

**COUNTY OF MENDOCINO**

Statement of Revenues, Expenses and Changes in Fund Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2005

	<u>Governmental                      Activities</u> <u>Internal                      Service Funds</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 16,817,430
Other revenue	2,859,909
Total Operating Revenues	<u>19,677,339</u>
<b>Operating Expenses:</b>	
Salaries and employee benefits	337,035
Services and supplies	11,298,867
Insurance	6,137,193
Depreciation	10,064
Claims and judgments	35,764
Total Operating Expenses	<u>17,818,923</u>
<b>Operating Income (Loss)</b>	<u>1,858,416</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income (expense)	<u>(15,996)</u>
Total Non-Operating Revenues (Expenses)	<u>(15,996)</u>
<b>Net Income (Loss) Before Transfers</b>	1,842,420
Transfers in	243,952
Transfers out	<u>(718,488)</u>
<b>Change in Net Assets</b>	<u>1,367,884</u>
Net Assets - Beginning of Year	(4,952,979)
Prior period adjustment	<u>(979,491)</u>
Net Assets - beginning as restated	<u>(5,932,470)</u>
<b>Net Assets - End of Year</b>	<u>\$ (4,564,586)</u>

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

**COUNTY OF MENDOCINO**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2005

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from interfund services provided	\$ 20,404,320
Cash paid to suppliers for goods and services	(18,182,597)
Cash paid to employees for services	<u>(1,010,763)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,210,960</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers in	243,952
Transfers out	(718,488)
Interest payments	<u>(28,912)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(503,448)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>12,916</u>
Net Cash Provided by Investing Activities	<u>12,916</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	720,428
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>92</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 720,520</u></u>

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

continued

**COUNTY OF MENDOCINO**

Statement of Cash Flows (continued)  
Proprietary Funds  
For the Year Ended June 30, 2005

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 1,858,416
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	10,064
Adjustments to capital assets	14
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(18,957)
Due from other funds	745,938
Increase (decrease) in:	
Accounts payable	(733,432)
Due to other funds	61,002
Accrued salaries	2,576
Compensated absences	3,141
Liability for self-insurance	<u>(717,802)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 1,210,960</u></u>

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

**COUNTY OF MENDOCINO**

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

	Investment Trust	Agency Funds	Pension Trust Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and investments in County				
Treasury	\$ 63,013,991	\$ 14,101,271	\$ 5,791,416	\$ 82,906,678
Imprest cash	2,461,251	--	--	2,461,251
Accounts receivable	143,598	--	2,415,539	2,559,137
Advances to other funds	--	5,295,879	--	5,295,879
Other investments	--	--	280,031,842	280,031,842
Total Current Assets	<u>\$ 65,618,840</u>	<u>\$ 19,397,150</u>	<u>\$ 288,238,797</u>	<u>\$ 373,254,787</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 126,079	\$ --	\$ 161,637	287,716
Accrued payroll and benefits	8,382	--	--	8,382
Investment purchases	--	--	7,849,865	7,849,865
Agency funds held for others	--	19,397,150	--	19,397,150
Total Liabilities	<u>134,461</u>	<u>19,397,150</u>	<u>8,011,502</u>	<u>27,543,113</u>
<b>NET ASSETS</b>				
Net Assets held in trust for:				
Retirement system	--	--	280,227,295	280,227,295
Investment pool participants	65,484,379	--	--	65,484,379
Total Net Assets	<u>65,484,379</u>	<u>--</u>	<u>280,227,295</u>	<u>345,711,674</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 65,618,840</u>	<u>\$ 19,397,150</u>	<u>\$ 288,238,797</u>	<u>\$ 373,254,787</u>

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

**COUNTY OF MENDOCINO**

Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2005

	Pension Trust	Investment Trust
<b>Additions:</b>		
Contributions:		
Employer contributions	\$ 3,806,222	\$ --
Member contributions	6,617,782	--
Other income	2,888,805	--
Contributions on pooled investments	--	63,140,154
Interest and investment income (net)	24,019,271	1,122,635
Total Additions	37,332,080	64,262,789
<b>Deductions:</b>		
Benefit payments	13,949,356	--
Refunds of contributions	933,453	--
Distributions from investment pool	--	62,676,181
Administrative expense	252,721	--
Total Deductions	15,135,530	62,676,181
<b>Change in net assets</b>	22,196,550	1,586,608
<b>Net assets, beginning</b>	258,030,745	63,897,771
<b>Net assets, ending</b>	\$ 280,227,295	\$ 65,484,379

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

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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



# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2005

### Note 1: **The Financial Reporting Entity**

The County of Mendocino (County), the primary government, is a political subdivision of the State of California. It is governed by an elected board of five County supervisors.

The accounting methods and procedures adopted by the County conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Blended component units are an extension of the County and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Each component unit has a June 30th year end.

**Blended Component Units.** The Alexander Estates Lighting District, Covelo Lighting District, Fairview Acres Lighting District, Hopland Lighting District, Laytonville Lighting District, Noyo Lighting District, Oak Knoll Lighting District, Riverwood Terrace Lighting District, Ukiah Village Lighting District, West Talmage Lighting District, Meadowbrook Manor Sanitation District, Mendocino County Air Quality Management District, and Mendocino County Public Facilities Corporation are districts and corporation governed by the County board of supervisors. The component unit's governing body is substantially the same as the primary government, hence, these units are presented by blending them with the primary government.

**Discretely Presented Component Units.** There are no component units of the County which meet the criteria for discrete presentation.

### Note 2: **Summary of Significant Accounting Policies**

#### A. **Basis of Presentation**

##### *Government-Wide Financial Statements*

The government-wide financial statements consist of the statement of net assets and the statement of activities that report information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 2: **Summary of Significant Accounting Policies** (continued)

A. **Basis of Presentation** (continued)

*Government-Wide Financial Statements* (continued)

activities, generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. At June 30, 2005, the County had no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or functions and; therefore, are clearly identifiable to a particular function and allocated indirect expenses. Direct expenses also include each function's allocated share of indirect expenses. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. 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, restricted resources are used only after the unrestricted resources are depleted.

*Fund Financial Statements*

The fund financial statements report detailed information about the County's funds, including fiduciary funds and blended component units. Separate statements are provided for each fund category – *governmental, proprietary and fiduciary* – even though the latter are excluded from the government-wide financial statements. The emphasis of the Governmental and Proprietary Fund financial statements is on major individual funds. Each major fund is presented in a single column. 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. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 2: **Summary of Significant Accounting Policies** (continued)

A. **Basis of Presentation** (continued)

*Fund Financial Statements* (continued)

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. The General Fund is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreational services.
- The *Debt Service Fund* is used to accumulate funds for the payment of debt service on the Certificates of Participation.
- The *Pension Obligation Bonds Fund* is used to accumulate funds for the payment of debt service on the Pension Obligation Bonds. Deposits are made on each pay period from amounts charged to the individual departments, based on retirement participation.
- The *Mental Health Services Fund* is a special revenue fund whose revenues are legally restricted for specified mental health purposes. The financial activities of the Mental Health Department were formerly an integral part of the County General Fund prior to fiscal 2002-2003.

The County reports the following additional fund types:

- *Internal Service Funds* are used to account for the County's vehicle replacement and software acquisition services provided to other departments or to other governments and self-insurance programs – unemployment, general liability, worker's compensation and health insurance benefits, on a cost-reimbursement basis.
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Pension Trust Fund* accounts for the pooled cash held in the County Treasury for the Mendocino County Employees' Retirement Association.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 2: **Summary of Significant Accounting Policies** (continued)

A. **Basis of Presentation** (continued)

*Fund Financial Statements* (continued)

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

B. **Measurement Focus and Basis of Accounting**

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

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

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they become both measurable and available. Property and sales taxes, interest, certain 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 measurable and available. All other revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. It is the County's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payments are generally received within 90 days. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded as expenditures 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 financial sources.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 2: **Summary of Significant Accounting Policies** (continued)

**B. Measurement Focus and Basis of Accounting** (continued)

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

**C. Implementation of Governmental Accounting Standards Board Statements**

*GASB Statement No. 40*

At June 30, 2005, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*. The statement modifies the custodial credit risk disclosures required by Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and addresses deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Accordingly, the cash and investments disclosure has been revised to conform to the provisions of GASB Statement No. 40.

**D. Non-Current Governmental Assets/Liabilities**

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

**E. Cash and Investments**

Cash includes amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired.

The County follows the practice of pooling cash and investments which represent deposits, time certificates of deposit, and U.S. Government securities. The securities are stated at cost, which approximates market.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 2: **Summary of Significant Accounting Policies** (continued)

### F. Cash and Cash Equivalents

For purposes of the statements of cash flows, the internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's Investment Pool, to be cash equivalents.

### G. Receivables

Receivables consist mostly of amounts due from other agencies. Management believes its receivables are fully collectible and accordingly, no allowance for doubtful accounts is required.

### H. Inventories

Inventories are valued at average cost (first-in, first-out). Inventories in the road fund consist of road supplies, fuel and various consumable items. Inventories in the general fund consist of office supplies. Inventory recorded by governmental funds are recorded as expenditures at the time the inventory is consumed. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriations.

### I. Property Tax Revenue

Property taxes attach as an enforceable lien at January 1. Taxes are levied on July 1 and payable in two installments, December 10 and April 10. All general property taxes are then allocated by the County Auditor's Office to the various taxing entities per the legislation implementing Proposition 13. The method of allocation used by the County is subject to review by the State of California. County property tax revenues are recognized when levied in accordance with the alternative method of property tax allocation (Teeter Plan).

#### Alternative Method of Distribution of Tax Levies

The County apportions property tax revenue according to the alternative tax treatment (Teeter Plan), whereby all of the current tax levy is distributed to all participating entities. The County then receives delinquent penalties and fees on the entire participating tax roll.

The County maintains 25% of the total delinquent secured taxes for participating entities in the County, as calculated at the end of the fiscal year, in the tax loss reserve fund. The balance in the fund was approximately \$1.3 million at year end.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 2: **Summary of Significant Accounting Policies** (continued)

**J. Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The County defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	20 to 50 years
Structures and improvements	10 to 40 years
Equipment	3 to 10 years

The County has five networks of infrastructure assets – roads, water/sewer, lighting, drainage, and flood control.

**K. Other Assets**

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are also used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets.

Recognition of governmental fund type revenues represented by non-current receivables is deferred until they become current receivables. Non-current portions of long-term loans receivable are offset by fund balance reserve accounts.

Special reporting treatments are also applied to governmental fund inventories to indicate that they do not represent “available spendable resources,” even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 2: **Summary of Significant Accounting Policies** (continued)

#### L. **Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a 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 rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

#### M. **Estimates**

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

Note 3: **Restatements of Net Asset and Fund Balances**

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning net assets:

#### **Capital Assets**

A prior period adjustment of \$(979,491) was made to correct prior year ending capital assets and related accumulated depreciation balances.



**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 3: **Restatements of Net Asset and Fund Balances** (continued)

**Capital Assets** (continued)

The impact of the prior period adjustments and restatements on the fund balances/net assets as previously reported is presented below:

	Government-Wide Statement of Activities	Governmental Funds		Proprietary Funds
	Governmental Activities	Mental Health	Non-Major Governmental Funds	Internal Service Funds
Net assets/fund balance - June 30, 2004, as previously reported	\$ (58,537,205)	\$ (3,511,086)	\$ 3,752,681	\$ (4,952,979)
Prior period adjustments:				
Adjustment to prior year capital assets and related accumulated depreciation	(979,491)	--	--	(979,491)
Total prior period adjustments	(979,491)	--	--	(979,491)
Restatement of fund balance	(81,764)	(11,016)	(70,748)	--
Net assets/fund balance - July 1, 2004, as restated	\$ (59,598,460)	\$ (3,522,102)	\$ 3,681,933	\$ (5,932,470)

Note 4: **Stewardship, Compliance and Accountability**

**Deficit Fund Equity**

The following funds had a fund balance/net assets deficit as of the fiscal year end:

Fund	Deficit
Mental Health Services	\$ 3,939,090
Accumulated Capital Outlay	159,463
Capital Projects	30,317
Health Insurance	2,379,305
General Liability Insurance	1,400,730
Unemployment Insurance	359,297
Worker's Compensation	463,468
Retiree Health Insurance	397,947
Lighting Special District – Alexander Estates	17,721
Lighting Special District – Noyo	2,473
Redevelopment Agency	240,842

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 4: **Stewardship, Compliance and Accountability** (continued)

During the County's final budget hearings held in August 2004 for fiscal 2004-05, the County adopted a final budget incorporating the General Fund's negative fund balance carryover from fiscal 2003-04 into the balanced budget plans. For fiscal year 2004-05, the County was successful in finishing under budget with a General Fund surplus in an amount in excess of \$1.7 million dollars. The principal reasons for this condition are twofold: (1) unanticipated salary and benefit savings resulting from the County's inability to retain or attract personnel at the salary levels being offered by the County and (2) significantly lower than anticipated caseload activity within the public assistance arena.

The deficit fund equity in the Mental Health Services fund was caused by several years of significant excess expenditures over revenues. The Board of Supervisors permitted the accumulated deficit to be separated from the General Fund so as to limit the fiscal impact to the Mental Health Fund solely. Under new directorship, the department continues to work closely with county administration and the Auditor-Controller under a committed plan to defease the deficit over a period of five years. Through a combination of workforce reduction in hours, other cost cutbacks in non-mandated services and receipt of unanticipated revenues, the fund was able to reduce its outstanding deficit at June 30, 2005 to less than \$1.8 million dollars. It should also be noted that the outstanding SB90 state mandated cost claim owing to the County of Mendocino Mental Health fund is approximately \$1.6 million dollars and, if paid in accordance with the passage of Proposition 1A in 2004, will greatly assist in the elimination of the deficit beginning in fiscal 2006-07.

The Internal Service Funds for insurance (health, general liability, unemployment and worker's compensation) all had a deficit fund equity at fiscal year ending June 30, 2005 as a result of increasing liabilities for unpaid claims as well as the raising costs for insurance in general. Having achieved its goal on a pay-as-you-go basis with each of these accounts, the County intends to continue to aggressively raise the amount of insurance contributions in order to reach actuarial soundness. Evidence of this is the Board of Supervisors' intended action in fiscal 2005-06 to raise its share of insurance contributions to its self-insured health, unemployment and general liability accounts.

The deficit fund equity in the Lighting Special District funds was due to an excess of expenditures over taxes assessed and received in several of its districts. Specifically, The Alexander Estates Lighting District has an increasing deficit fund balance equity as a result of an expired direct assessment. In the case of the Noyo Lighting District, their deficit fund equity was caused by the sharing of tax assessment revenues with the City of Fort Bragg. Because the lighting districts as a whole are all controlled by the Mendocino County Board of Supervisors, it is the intention of county administration to consider grouping all lighting districts into one homogeneous fund.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 4: **Stewardship, Compliance and Accountability** (continued)

The deficit fund equity in the Redevelopment Agency debt service fund is due to excess expenditures over revenues. During fiscal 2004-05, the agency began to receive its first allocation of tax increment revenues and, therefore, the County should begin to realize a reduction in the fund deficit.

The deficit fund equity in both the Accumulated Capital Outlay and the Capital Project funds are a result of timing differences in the anticipated receipt of reimbursement for costs not yet received as of June 30, 2005.

Note 5: **Cash and Investments**

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds using a formula based on the average daily cash balance of each fund.

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

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

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 5: **Cash and Investments** (continued)

At June 30, 2005, total County cash and investments were as follows:

*Cash:*

Cash on hand	\$ 635,087
Imprest cash	11,865
Certificates of deposit	21,000,428
Overdrafts (deposits less outstanding warrants)	<u>(4,195,998)</u>
Total cash	<u>17,451,382</u>

*Investments:*

In Treasurer's pool	67,371,751
With fiscal agents	<u>11,012,097</u>
Total investments	<u>78,383,848</u>
Total cash and investments	<u><u>\$ 95,835,230</u></u>

Total cash and investments at June 30, 2005 were presented on the County's financial statements as follows:

Primary government	\$ 13,042,829
Pension trust fund	5,791,416
Investment trust fund	62,957,362
Agency funds	<u>14,043,623</u>
Total cash and investments	<u><u>\$ 95,835,230</u></u>

**Investments**

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 5: **Cash and Investments** (continued)

Investments (continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	10%	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
Banker's Acceptances	180 days	40%	None
Commerical Paper	270 days	40%	None
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

At June 30, 2005, the difference between the cost and fair values was not material. Therefore, an adjustment to fair value was not required for GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, compliance.

At June 30, 2005, the County had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value	WAM (Years)
<b>Investments in Investment Pool</b>						
Commercial paper	3.58%	1/23/2009	\$ 5,000,000	\$ 4,977,617	\$ 4,990,500	0.06
Medium-term notes	2.60%-3.09%	7/15/05 - 2/23/07	27,000,000	27,024,583	26,976,745	0.52
Federal agency obligations	2.07%-10.00%	3/15/07 - 9/15/17	5,069,376	5,066,086	5,065,229	3.62
Mutual funds	2.55%	On Demand	7,516,024	7,516,024	7,244,221	0.11
Local Agency Investment Fund (LAIF)	1.67%-2.85%	On Demand	9,000,000	9,000,000	9,000,000	0.45
Repurchase agreements	2.72%	On Demand	3,060,945	3,060,945	3,060,945	0.00
Mendocino County Delinquent Tax and Revenue Anticipation Note	Variable	On Demand	10,726,496	10,726,496	10,726,496	0.00
<b>Total investments in investment pool</b>			<u>\$ 67,372,841</u>	<u>\$ 67,371,751</u>	<u>\$ 67,064,136</u>	0.56
<b>Investments Outside Investment Pool</b>						
Mutual funds			\$ 19,901	\$ 19,901	\$ 19,901	0.00
<b>Total investments in investment pool</b>			<u>3,373,022</u>	<u>3,373,022</u>	<u>3,372,474</u>	0.00
<b>Total investments</b>			<u>\$ 7,619,174</u>	<u>\$ 7,619,174</u>	<u>\$ 7,622,755</u>	

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 5: **Cash and Investments** (continued)

**Interest Rate Risk**

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy. The County invested \$26,976,745 in floating rate securities. These are tied to the one or three month London Interbank Offer Rate (LIBOR) index.

**Credit Risk**

State law and the County's Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the County's Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Service. The County does not have credit limits on government agency securities.

**Concentration of Credit Risk**

County Investment Pool. State law and the County's Investment Policy limit investments to commercial paper to 40% of the County Investment Pool and 10% of the County Investment Pool per issuer. At June 30, 2005, the County had 5.67% of its County Investment Pool in commercial paper. State law and the County's Investment Policy also limits investments in corporate bonds and medium term notes to 30% of the County Investment Pool. At June 30, 2005, the County had 30.63% of its County Investment Pool in corporate bonds and medium term notes. (When the last medium term note was purchased in April of 2005, the total did not exceed 30.0% of the pool). The County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2005.

<b>Investments In Investment Pool</b>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
Federal agency obligations	AAA	AAA	Unrated	5.75%
Commercial paper	A	P1	Unrated	5.67%
Local Agency Investment Fund	Unrated	Unrated	Unrated	10.22%
Medium-term notes	AAA	Aa3	AA	30.63%
Mutual fund	Unrated	Unrated	Unrated	8.23%
Certificates of deposit	A1	P1	A1	23.84%
Repurchase agreements	Unrated	Unrated	Unrated	3.48%
Delinquent Tax and Revenue Anticipation Note	Unrated	Unrated	Unrated	12.18%
				<u>100.00%</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 5: **Cash and Investments** (continued)

Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The County's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information previously provided):

<u>Highly Sensitive Investments</u>	<u>Fair Value</u>
Investments in asset backed securities. These securities are based on cash flows for payments on underlying loans. Therefore, they are sensitive to prepayments by borrowers, which may result from a decline in interest rates.	\$ 5,065,229

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2005:

**Statement of Net Assets**

Net assets held for pool participants	<u>\$ 95,835,230</u>
Equity of internal pool participants	\$ 32,877,868
Equity of external pool participants	<u>62,957,362</u>
Total net assets	<u>\$ 95,835,230</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 5: **Cash and Investments** (continued)

County Investment pool Condensed Financial Statements (continued)

**Statement of Changes in Net Assets**

Investment earnings	\$	--
Investment expenses		--
Net contribution from pool participants		<u>21,991,736</u>
Increase in Net Assets		21,991,736
Net assets at July 1, 2004		<u>73,843,494</u>
Net assets at June 30, 2005	\$	<u><u>95,835,230</u></u>

Note 6: **Deferred Revenues**

Governmental funds report deferred revenue in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2005, the various components of unavailable deferred revenue and unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Activities:			
Government-wide Statements:			
Advance from fiscal agent for interest on 2002 bonds	\$	--	\$ 4,393,109
Various grants and charges	<u>          --</u>	<u>2,236,336</u>	<u>4,393,109</u>
	<u>\$</u>	<u>          --</u>	<u>\$ 6,629,445</u>
Fund Statements:			
General Fund:			
Various grants and charges	\$ 2,807,970	\$ 1,004,842	\$ 3,812,812
Mental Health Services:			
Various grants and charges	2,583,776	--	2,583,776
Other Governmental Funds:			
Various grants and charges	<u>199,931</u>	<u>1,231,494</u>	<u>1,431,425</u>
	<u>\$ 5,591,677</u>	<u>\$ 2,236,336</u>	<u>\$ 7,828,013</u>



**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 7: **Short-Term Note Payable**

On July 1, 2004, the County issued a \$22,304,480 tax and revenue anticipation note to manage the temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The note was issued in anticipation of collection of taxes and other revenues to be received during the fiscal year ended June 30, 2005 and was repaid with taxes and other revenues by June 30, 2005.

Short-term note payable activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
Short-term note payable	\$ <u>          --</u>	\$ <u>22,304,480</u>	\$ <u>22,304,480</u>	\$ <u>          --</u>

Note 8: **Interfund Transactions**

**Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2005 are as follows:

*Advances from/to other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency Fund	General Fund	\$ <u>5,292,879</u>

Prior year secured taxes (delinquent) have been deposited in the General Fund instead of the Tax Resource Fund over the years. The balance of the advances is the estimated amount of taxes owed by the General Fund to the Tax Resource Fund.

*Due from/to other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	1,247,404
	Mental Health Fund	4,251,886
	Other Governmental Funds	1,136,040
	Internal Service Funds	434,293
Other Governmental Funds	General Fund	1,516,494
	Pension Obligation Bonds	4,400,000
	Internal Service Funds	<u>156,000</u>
		\$ <u>13,142,117</u>

The above balances reflect temporary cash advances.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 8: **Interfund Transactions** (continued)

**Interfund Receivables/Payables** (continued)

***Transfers:***

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

Transfer From	Transfer To	Amount
General Fund	Debt Service Fund Mental Health Services Internal Service Funds Other Governmental Funds	\$ 1,994,590 647,162 241,796 <u>4,352,549</u> <u>7,236,097</u>
Mental Health Services Fund	Debt Service Fund General Fund	53,627 <u>364,554</u> <u>418,181</u>
Internal Service Funds	Other Governmental Funds General Fund	2,500 <u>715,988</u> <u>718,488</u>
Other Governmental Funds	Mental Health Services Internal Service Funds Other Governmental Funds General Fund	3,296 2,156 47,221 <u>561,454</u> <u>614,127</u>
		<u>\$ 8,986,893</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 9: **Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp;</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,298,969	\$ --	\$ --	\$ --	\$ 3,298,969
Construction in progress	<u>6,578,967</u>	<u>--</u>	<u>--</u>	<u>(3,414,796)</u>	<u>3,164,171</u>
Total capital assets, not being depreciated	<u>9,877,936</u>	<u>--</u>	<u>--</u>	<u>(3,414,796)</u>	<u>6,463,140</u>
Capital assets, being depreciated:					
Infrastructure	41,873,038	36,347	--	--	41,909,385
Structures and improvements	60,312,062	771,717	--	3,414,796	64,498,575
Equipment	26,709,667	1,307,848	(537,175)	(3,885,258)	23,595,082
Improvements other than buildings	<u>2,582,916</u>	<u>8,682</u>	<u>--</u>	<u>--</u>	<u>2,591,598</u>
Total capital assets, being depreciated	<u>131,477,683</u>	<u>2,124,594</u>	<u>(537,175)</u>	<u>(470,462)</u>	<u>132,594,640</u>
Less accumulated depreciation for:					
Infrastructure	(17,500,912)	(1,255,746)	--	--	(18,756,658)
Structures and improvements	(18,177,697)	(1,731,860)	(22)	--	(19,909,579)
Equipment	(18,015,401)	(2,308,448)	531,418	2,905,753	(16,886,678)
Improvements other than buildings	<u>(2,440,999)</u>	<u>(10,782)</u>	<u>--</u>	<u>--</u>	<u>(2,451,781)</u>
Total accumulated depreciation	<u>(56,135,009)</u>	<u>(5,306,836)</u>	<u>531,396</u>	<u>2,905,753</u>	<u>(58,004,696)</u>
Total capital assets, being depreciated, net	<u>75,342,674</u>	<u>(3,182,242)</u>	<u>(5,779)</u>	<u>2,435,291</u>	<u>74,589,944</u>
Government activities capital assets, net	<u>\$ 85,220,610</u>	<u>\$ (3,182,242)</u>	<u>\$ (5,779)</u>	<u>\$ (979,505)</u>	<u>\$ 81,053,084</u>

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ (671,883)
Public protection	(1,538,689)
Public ways	(1,737,574)
Health and sanitation	(740,679)
Public assistance	(444,381)
Education	(81,488)
Recreation and culture	(82,078)
Depreciation on capital assets held by the County's internal service funds are charged to various functions based on their usage of the assets	<u>(10,064)</u>
Total Depreciation Expense – Governmental Functions	<u>\$ (5,306,836)</u>

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2005

### Note 10: Long-Term Liabilities

Long-term liabilities at June 30, 2005 consisted of the following:

<u>Governmental Activities</u> Type of Indebtedness (Purpose)	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2005</u>
<b>Loans Payable</b>					
California Energy Commission Loan – 2002	12/22/02-12/22/07	3.00%	\$5,000-\$9,000	\$ 96,884	\$ 42,286
California Energy Commission Loan – 2003	12/22/05-12/22/16	3.95%	\$3,000-\$14,000	<u>250,000</u>	<u>233,280</u>
				<u>\$ 346,884</u>	<u>\$ 275,566</u>
<b>Taxable Pension Obligation Bonds</b>					
<b>1996 Series</b> (Issued to meet net pension obligation of the County's retirement plan)	7/01/03-7/01/09	5.54%-6.97%	\$2,225,000-\$4,770,000	<u>\$ 30,720,000</u>	<u>\$ 8,870,000</u>
<b>2002 Series</b> (Issued to partially refund the 1996 Series and to meet the net pension obligation of the County's retirement plan)	7/01/04-7/01/26	2.07%-5.77%	\$885,000-\$7,560,000	<u>91,945,000</u>	<u>91,060,000</u>
				<u>\$ 122,665,000</u>	<u>\$ 99,930,000</u>
<b>Certificates of Participation</b>					
<b>1998 Issue</b> (defeased the 1989 refunding Certificates of Participation)					
Serial Current Interest Certificates	8/15/03-8/15/06	4.05%-4.30%	\$275,000-\$490,000	<u>\$ 8,600,000</u>	<u>\$ 965,000</u>
<b>2000 Issue</b> (Refunding of 1998 COPs)					
Serial Current Interest Certificates	6/01/04-6/01/16	4.10%-5.0%	\$75,000-\$535,000	6,120,000	4,950,000
Term Current Interest Certificates	6/1/2030	5.25%	\$570,000-\$1,905,000	<u>16,360,000</u>	<u>16,360,000</u>
				<u>22,480,000</u>	<u>21,310,000</u>
<b>2001 Issue</b> (Refunding of 1993 certificates)					
Serial Current Interest Certificates	6/01/04-6/01/21	3.5%-4.8%	\$240,000-\$460,000	6,455,000	5,445,000
Term Current Interest Certificates	6/01/2024	4.98%	\$480,000-\$525,000	<u>1,510,000</u>	<u>1,510,000</u>
				<u>7,965,000</u>	<u>6,955,000</u>
				<u>\$ 39,045,000</u>	<u>\$ 29,230,000</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 10: **Long-Term Liabilities** (continued)

**A. Summary of Long-Term Liabilities**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2005:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2005</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds payable	\$ 102,270,000	\$ --	\$ (2,340,000)	\$ 99,930,000	\$ 2,455,000
Loans payable	308,338	--	(32,772)	275,566	34,863
Certificates of Participation	29,800,000	--	(570,000)	29,230,000	885,000
Capital leases	2,134,271	19,322	(480,462)	1,673,131	393,960
Compensated absences	4,028,329	107,393	--	4,135,722	4,135,722
Liability for unpaid claims	<u>4,094,505</u>	<u>11,373,621</u>	<u>(12,091,423)</u>	<u>3,376,703</u>	<u>3,376,703</u>
Total Governmental Activities	<u>\$ 142,635,443</u>	<u>\$ 11,500,336</u>	<u>\$ (15,514,657)</u>	<u>\$ 138,621,122</u>	<u>\$ 11,281,248</u>

As of June 30, 2005, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending <u>June 30</u>	Governmental Activities					
	<u>Bonds Payable</u>		<u>Certificates of Participation</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 2,455,000	\$ 5,476,314	\$ 885,000	\$ 1,434,403	\$ 34,863	\$ 10,182
2007	2,585,000	5,339,766	1,470,000	1,398,263	36,094	8,951
2008	2,730,000	5,189,341	635,000	1,347,308	28,507	7,696
2009	2,885,000	5,025,710	660,000	1,320,428	20,606	6,756
2010	3,055,000	4,848,443	730,000	1,292,102	21,428	5,934
2011-2015	17,915,000	21,619,501	3,965,000	5,950,240	120,653	16,155
2016-2020	23,210,000	16,135,450	5,015,000	4,898,719	13,415	266
2021-2025	30,385,000	8,750,535	7,265,000	3,458,955	--	--
2026-2030	<u>14,710,000</u>	<u>860,596</u>	<u>8,605,000</u>	<u>1,401,710</u>	<u>--</u>	<u>--</u>
	<u>\$ 99,930,000</u>	<u>\$ 73,245,655</u>	<u>\$ 29,230,000</u>	<u>\$ 22,502,128</u>	<u>\$ 275,566</u>	<u>\$ 55,940</u>

Certificates of participation, loans, interest payments and pension obligations bonds are serviced by several of the County funds, including the general fund, special revenue funds and internal service funds. Capital lease obligations are paid from the general fund and special revenue funds. Claims and judgments will be paid from the County's risk management internal service funds. A majority of the claims are paid through internal service fund charges to the general fund and special revenue funds. Compensated absences liabilities will be paid by several of the County's funds, including the general fund, special review funds, and other internal service funds.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 10: **Long-Term Liabilities** (continued)

A. **Summary of Long-Term Liabilities** (continued)

**Debt Service Forward Agreement**

In December 2002, the County entered into a debt service forward agreement with the fiscal agent related to the 2002 Bonds. The County received \$4,811,500 in advance for interest to be earned on the required reserves deposited with the fiscal agent over the life of the bonds. The amount which previously was recognized by the General Fund as other revenue in the fund statements, and as is currently being recognized as deferred revenue to be amortized over the life of the bonds in the government-wide statement of net assets. At fiscal year end, the amount of unamortized interest was \$4,393,108.

B. **Leases**

**Operating Leases**

The County has signed several operating leases, primarily for office buildings. Terms of the leases are month-to-month or contain early termination clauses. Because of this, the County does not have a definite noncancelable commitment from the various leases.

**Capital Leases**

Equipment and related accumulated amortization under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 2,776,673
Less: accumulated amortization	<u>(1,223,021)</u>
Net Value	<u>\$ 1,553,652</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 10: **Long-Term Liabilities** (continued)

B. **Leases** (continued)

**Capital Leases** (continued)

The County has entered into lease agreements for data processing systems, copy machines, and other equipment, with interest rates ranging from 4.0% to 16.7%. The original cost of all leased equipment was \$2,776,673. The minimum future lease commitments on these leases are as follows:

Fiscal Year Ending June 30,	<u>Payments</u>
2006	\$ 458,206
2007	455,490
2008	256,493
2009	394,275
2010	179,234
2011	<u>98,562</u>
Total Minimum Lease Payments	1,842,260
Less Amount Representing Interest	<u>(169,129)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,673,131</u>

C. **Compensated Absences**

Vacation – employees accrue vacation at varying rates depending on the length of an employee’s service. Upon termination unused vacation, up to accrual limits, is paid off in cash. Sick leave – all employees accrue sick leave at the rate of 15 days per year. Sick leave may be accrued without limit. Upon termination, unused sick leave will be applied toward length of service for retirement credit. Holidays must be taken within the calendar year and are not accruable. The County records the gross vacation liability. At fiscal year end, the total liability for compensated absences was \$4,135,722. The entire amount was considered current, based on experience.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 11: **Municipal Solid Waste Landfill Closure and Postclosure Care Costs**

State and federal law and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,649,557 reported as landfill closure/postclosure liability at June 30, 2005 represents the cumulative amount reported to date based on the use of various percents of the estimated capacity of the landfills. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The following information pertains to the various landfills in the County:

<u>Location</u>	<u>Ownership of Landfill</u>	<u>Percent Filled</u>	<u>Expected Closure Date</u>	<u>Estimated Liability at June 30, 2005</u>
Caspar Landfill	Mendocino County/ City of Fort Bragg	100%	Closed 2005	\$ 398,203
South Coast Landfill	Mendocino County	N/A		3,630,066
Laytonville Landfill	Mendocino County	100%	Closed	<u>1,621,288</u>
				<u>\$ 5,649,557</u>

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at June 30, 2005, investments of \$1,485,923 are held for these purposes. The County intends to obtain either a grant or issue debt to fund the closure costs. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.



## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

#### Note 12: Net Assets/Fund Balances

##### Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested 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.
- *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.

##### Fund Balances

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, 2005, reservations of fund balance are described below:

The term “reserved” is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The County’s management will sometimes designate portions of unreserved (available) fund balance based on tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned.

The County has “reserved” fund balances as follows:

- *Reserve for Imprest Cash* was created to represent the portion of the fund balance that is not available for expenditure because the County maintains various levels of revolving funds for daily operations.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 12: **Net Assets/Fund Balances** (continued)

#### **Fund Balances** (continued)

- *Reserve for Encumbrances* was created to represent encumbrances outstanding at the end of the year based on purchase order and contracts signed by the County but not yet completed as of the close of the final year.
- *Reserve for Debt Service and Capital Projects* was created to represent cash held with fiscal agent for debt service and capital projects. The portion of fund balance representing the reserve does not represent an available spendable resource.
- *Reserve for Inventory* was created to represent the balance of inventory that is not available for expenditure.

Note 13: **County Employees Retirement Plan (Defined Benefit Pension Plan)**

#### Plan Description

The Mendocino County Retirement Association is a multiple employer defined benefit pension plan serving the employees of the County of Mendocino and two special districts. The Association was established under the County Employees Retirement Act of 1937, as amended. The plan is totally controlled and governed by a nine-member retirement board and is available to essentially all full-time employees of the County and certain special districts. Members of the board are appointed as follows: four members are appointed by the Board of Supervisors, two members are elected by general county employees, one member is elected by safety county employees, one member is elected by county retirees, and one member is the County Treasurer who is an ex-officio board member and administrator of the retirement system.

#### Funding Policy

Employees of the County and the special districts contribute to the plan. County contributions for the plan's year ended June 30, 2005 were \$3,233,370 and contributions by the employees of the County and the special districts were \$6,625,270.

#### Annual Pension Cost

The Retirement Association uses an entry age normal method with a supplemental present value for its actuarial computations. Significant actuarial assumptions used to determine the standardized measure of the pension benefit obligations are a) a rate of return on current and future investments of 8.0 percent compounded annually, b) projected salary increases of 5.75 percent per year attributable to merit/longevity, and c) additional projected salary increases of 4.75 percent per year attributable to inflation.

The Association was audited by other auditors. The last audit performed was for the year ended June 30, 2005. A complete financial statement of the Association is available at the Auditor-Controller's Office of the County of Mendocino.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 14: **Post-Retirement Benefits**

The County pays in accordance with County ordinance, post-retirement medical benefits for retirees who have at least ten years of County service. If the retiree has less than ten years of service, then the retiree pays a percentage of the medical benefits. The benefits paid by the County are funded on a pay-as-you-go basis. At fiscal year end, there were 807 County retirees, of which, 618 received healthcare benefits totaling \$3,033,397 for the year ended June 30, 2005.

Note 15: **Contingencies**

A. **Litigation**

There are many lawsuits pending in which the County is involved. Some of the lawsuits have been filed solely against the County, while in others, the County is one of a group of defendants. County Counsel had indicated that probable potential claims against the County are \$50,000 to \$100,000, while possible potential claims against the County range in the area of \$1,000,000. The general liability self-insurance program would cover probable claims losses for which adequate reserves have been maintained.

B. **Grants**

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2005, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

Note 16: **Risk Management**

The County has four risk management funds (Internal Service Funds) to administer the County's insurance programs that are fully self-insured, partially self-insured or fully funded. Fund revenues are primarily premium charges to other departments and funds, and are planned to equal estimated expenses resulting from the self-insurance programs including claims expenses, liability insurance coverage in excess of the self-insured retention amounts, and other operating expenses. Liability for unpaid claims is subject to change due to future reestimations of claims by program administrators, inflation, and changes in laws and regulations. The primary activities of the funds consist of risk management programs related to the following:

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 16: **Risk Management** (continued)

A. **Unemployment Insurance**

The County is fully self-insured for this program. The estimated claims liability at fiscal year end was \$497,440.

B. **General Liability Insurance**

The County maintains a self-insured retention (SIR) of \$200,000 per occurrence for this program. Losses which exceed the SIR are covered by excess insurance obtained through CSAC-Excess Insurance Authority. This program is the only insurance program administered without the benefit of a third party administrator. The administration of this program is a joint effort between the Risk Management Division and the Office of the County Counsel. The liability for unpaid claims was based on actual outstanding claims at June 30, 2005, plus an amount for "incurred but not reported claims." The liability is based on the estimated ultimate cost of settling the claims within the program's self-insured retention. The liability of \$1,252,239 includes incurred but not reported claims.

C. **Workers' Compensation**

The County has elected to become fully insured through CSAC-Excess Insurance Authority on July 1, 1997.

D. **Health Insurance**

The County is fully self-insured and administers the program. The County has hired Driver Alliant as a health plan consultant/actuary to review the health plan on an annual basis, and determine by how much County and employee share in premiums should be increased. The estimated claims liability at fiscal year end was \$509,069.

E. **Retiree Health Insurance**

The County is fully self-insured and administers the program. The County has hired Driver Alliant as a health plan consultant/actuary to review the health plan on an annual basis, and determine by how much County and employee share in premiums should be increased. The estimated claims liability at fiscal year end was \$242,206.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

Note 16: **Risk Management** (continued)

E. **Retiree Health Insurance** (continued)

Changes in the fund's claims liability amount for the past two years were:

	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
Claims liability, 07/01/03	\$ 608,854	\$ 1,043,667	\$ --	\$ 1,380,000	\$ --	\$ 3,032,521
Current year claims and changes in estimates	308,684	1,161,308	--	9,875,047	--	11,345,039
Claims payments	<u>(384,342)</u>	<u>(443,666)</u>	<u>--</u>	<u>(9,455,047)</u>	<u>--</u>	<u>(10,283,055)</u>
Claims liability, 06/30/04	<u>\$ 533,196</u>	<u>\$ 1,761,309</u>	<u>\$ --</u>	<u>\$ 1,800,000</u>	<u>\$ --</u>	<u>\$ 4,094,505</u>
Claims liability, 07/01/04	\$ 533,196	\$ 1,761,309	\$ --	\$ 1,800,000	\$ --	\$ 4,094,505
Current year claims and changes in estimates	645,464	35,764	--	7,744,578	2,947,815	11,373,621
Claims payments	<u>(681,220)</u>	<u>(544,834)</u>	<u>--</u>	<u>(8,159,760)</u>	<u>(2,705,609)</u>	<u>(12,091,423)</u>
Claims liability, 06/30/05	<u>\$ 497,440</u>	<u>\$ 1,252,239</u>	<u>\$ --</u>	<u>\$ 1,384,818</u>	<u>\$ 242,206</u>	<u>\$ 3,376,703</u>

Note 17: **Excess Expenditures Over Budget**

The following funds had excess expenditures over budget:

	<u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Mental Health Services	\$ 12,411,095	\$ 13,396,648	\$ 985,553
Capital Projects	300,000	367,536	67,536
Miscellaneous Grants	779,781	8,016,297	7,236,516
Pension Obligation Bonds	8,018,711	8,066,304	47,593
Mobile Spay and Neuter	24,232	28,945	4,713
Air Quality Management	595,988	656,118	60,130
Meadowbrook Manor Sanitation	500	528	28
Retirement Health Insurance	3,114,468	3,199,005	84,537

Note 18: **Subsequent Events**

On July 1, 2005, the County issued a \$23,339,292 tax and revenue anticipation note. The funds were budgeted for operations. The note is due and payable June 23, 2006 and carries a 4.0% interest rate.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2005

#### Note 19: **New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) recently released several new accounting and financial reporting standards. Three of the new standards, GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions (OPEB)*, may have a significant impact on the County's financial reporting process.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB No. 42 will be effective for the fiscal year ending June 30, 2006.

GASB Statement No. 44 guides the preparation of supplementary information included in the statistical section. This new statement provides specific requirements for the information presented in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and will enhance comparability among governments presenting a statistical section. GASB No. 44 will be effective for the fiscal year ending June 30, 2006.

GASB Statement No. 45 establishes standards for the measurement, recognition and display of OPEB expenses/expenditures, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. GASB No. 45 will be effective for the fiscal year ending June 30, 2008.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COUNTY OF MENDOCINO**

**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2005**

**SCHEDULE OF FUNDING PROGRESS**

The table 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:

<u>Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/02	\$ 226,883,000	\$ 158,115,000	\$ 68,768,000	69.7%	\$ 57,701,000	119.2%
6/30/03	242,342,000	232,764,000	9,578,000	96.1%	59,865,000	16.0%
6/30/04	265,141,000	239,191,000	25,950,000	90.2%	59,075,000	43.9%



**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balances, July 1	\$ (1,284,915)	\$ (1,284,915)	\$ (1,284,915)	\$ --
Resources (inflows):				
Taxes	40,147,073	40,147,073	43,800,010	3,652,937
Licenses and permits	2,588,736	2,588,736	2,671,874	83,138
Fines, forfeits and penalties	1,473,310	1,473,310	1,342,053	(131,257)
Revenue from use of money and property	1,574,717	1,574,717	1,199,222	(375,495)
Aid from other governments	70,688,317	70,688,317	62,934,742	(7,753,575)
Charges for services	9,963,323	9,963,323	10,635,093	671,770
Miscellaneous revenue	3,037,169	3,040,169	2,715,622	(324,547)
Other financing sources	1,081,177	1,085,281	1,661,318	576,037
Amounts available for appropriation	<u>130,553,822</u>	<u>130,560,926</u>	<u>126,959,934</u>	<u>(3,600,992)</u>
Charges to appropriations (outflows):				
Current:				
General government	15,804,268	15,810,820	13,557,393	2,253,427
Public protection	40,112,330	40,063,561	39,423,928	639,633
Public way and facilities	264,400	264,400	116,972	147,428
Health and sanitation	12,856,516	12,853,853	11,897,070	956,783
Public assistance	54,852,965	54,856,485	51,037,841	3,818,644
Education	238,133	238,133	202,258	35,875
Recreation and cultural services	301,610	301,610	275,187	26,423
Capital outlay	1,097,442	1,394,731	1,121,707	273,024
Other financing uses	6,305,059	6,381,346	7,882,347	(1,501,001)
Total charges to appropriations	<u>131,832,723</u>	<u>132,164,939</u>	<u>125,514,703</u>	<u>6,650,236</u>
Budgetary fund balances, June 30	<u>\$ (2,563,816)</u>	<u>\$ (2,888,928)</u>	<u>\$ 160,316</u>	<u>\$ 3,049,244</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement \$ 126,959,934

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for budgetary purposes (1,641,996)

Inceptions of capital leases are inflows of budgetary resources but are not revenues for budgetary purposes (19,322)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 125,298,616

continued

COUNTY OF MENDOCINO

Budgetary Comparison Schedule (continued)  
General Fund  
For the Year Ended June 30, 2005

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 125,514,703
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes	(7,882,347)
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>(41,139)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 117,591,217</u></u>

**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
Mental Health Services Fund  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ (3,511,086)	\$ (3,511,086)	\$ (3,511,086)	\$ --
Resources (inflows):				
Revenue from use of money and property	(50,000)	(50,000)	(93,073)	(43,073)
Aid from other governments	11,634,955	11,634,955	12,234,098	599,143
Charges for services	388,529	388,529	96,468	(292,061)
Miscellaneous revenue	254,098	254,098	722,640	468,542
Amounts available for appropriation	<u>12,227,582</u>	<u>12,227,582</u>	<u>12,960,133</u>	<u>732,551</u>
Charges to appropriations (outflows):				
Current:				
Health and sanitation	11,809,403	11,809,403	12,958,428	(1,149,025)
Capital outlay	--	--	512	(512)
Other financing uses	418,179	418,179	418,181	(2)
Total charges to appropriations	<u>12,227,582</u>	<u>12,227,582</u>	<u>13,377,121</u>	<u>(1,149,539)</u>
Budgetary fund balances, June 30	<u>\$ (3,511,086)</u>	<u>\$ (3,511,086)</u>	<u>\$ (3,928,074)</u>	<u>\$ (416,988)</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 13,377,121
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes	<u>(418,181)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 12,958,940</u>

**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
Debt Service Fund  
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Budgetary fund balances, July 1	\$ 2,666,684	\$ 2,666,684	\$ 2,666,684	\$ --
Resources (inflows):				
Revenue from use of money and property	32,600	32,600	34,918	2,318
Other financing sources	2,048,215	2,048,215	2,048,217	2
Amounts available for appropriation	<u>2,080,815</u>	<u>2,080,815</u>	<u>2,083,135</u>	<u>2,320</u>
Charges to appropriations (outflows):				
Current:				
General government	11,650	11,650	11,458	192
Debt service - principal	586,052	602,772	602,772	--
Debt service - interest	1,465,082	1,475,723	1,475,723	--
Total charges to appropriations	<u>2,062,784</u>	<u>2,090,145</u>	<u>2,089,953</u>	<u>192</u>
Budgetary fund balances, June 30	<u>\$ 2,684,715</u>	<u>\$ 2,657,354</u>	<u>\$ 2,659,866</u>	<u>\$ 2,512</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement \$ 2,083,135

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for budgetary purposes (2,048,217)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 34,918

**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
Pension Obligation Bonds Fund  
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balances, July 1	\$ 3,773,791	\$ 3,773,791	\$ 3,773,791	\$ --
Resources (inflows):				
Charges for services	<u>10,825,000</u>	<u>10,825,000</u>	<u>6,741,083</u>	<u>(4,083,917)</u>
Amounts available for appropriation	<u>10,825,000</u>	<u>10,825,000</u>	<u>6,741,083</u>	<u>(4,083,917)</u>
Charges to appropriations (outflows):				
Current:				
General government	4,815	4,815	7,765	(2,950)
Debt service - principal	2,340,000	2,340,000	2,340,000	--
Debt service - interest	<u>5,673,896</u>	<u>5,673,896</u>	<u>5,718,539</u>	<u>(44,643)</u>
Total charges to appropriations	<u>8,018,711</u>	<u>8,018,711</u>	<u>8,066,304</u>	<u>(47,593)</u>
Budgetary fund balances, June 30	<u>\$ 6,580,080</u>	<u>\$ 6,580,080</u>	<u>\$ 2,448,570</u>	<u>\$ (4,131,510)</u>
changes in fund balances - governmental funds				<u>\$ 6,741,083</u>
Payment to refunded debt escrow agent is an outflow of budgetary resources but				

## COUNTY OF MENDOCINO

### Note to Required Supplementary Information For the Year Ended June 30, 2005

#### **BUDGETARY BASIS OF ACCOUNTING**

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

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the County Manager's office and must be approved by the Board of Supervisors. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Pursuant to Board Resolution, the County Manager is authorized to approve transfers and revision of appropriations under \$50,000 within a single budget unit as deemed necessary and appropriate. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and is amended during the fiscal year by resolutions approved by the Board of Supervisors.

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

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

The 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).

The amounts reported in the budgetary basis differ from the basis used to present the basic financial statements in accordance with generally accepted accounting principles (GAAP). Annual budgets are prepared on the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures.

## **SUPPLEMENTAL INFORMATION**

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Redevelopment</u> <u>Agency</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments in County Treasury	\$ 1,142,988	\$ --	\$ --	\$ 1,142,988
Imprest cash	417	--	--	417
Due from other governmental agencies	1,301,537	--	--	1,301,537
Due from other funds	6,072,494	--	--	6,072,494
Accounts receivable	168,257	--	--	168,257
Inventory of supplies, at cost	681,121	--	--	681,121
Total Assets	<u>\$ 9,366,814</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,366,814</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 508,996	\$ 30,317	\$ --	\$ 539,313
Accrued salaries and benefits	236,506	--	--	236,506
Due to other funds	193,451	--	240,842	434,293
Deferred revenues	1,431,425	--	--	1,431,425
Total Liabilities	<u>2,370,378</u>	<u>30,317</u>	<u>240,842</u>	<u>2,641,537</u>
 Fund Balances:				
Reserved for:				
Encumbrances	178,988	--	--	178,988
Inventory	681,121	--	--	681,121
Imprest cash	417	--	--	417
Unreserved, reported in:				
Special revenue funds	6,135,910	--	--	6,135,910
Debt service funds	--	--	(240,842)	(240,842)
Capital project funds	--	(30,317)	--	(30,317)
Total Equities	<u>6,996,436</u>	<u>(30,317)</u>	<u>(240,842)</u>	<u>6,725,277</u>
 Total Liabilities and Fund Balances	 <u>\$ 9,366,814</u>	 <u>\$ --</u>	 <u>\$ --</u>	 <u>\$ 9,366,814</u>



## COUNTY OF MENDOCINO

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2005

	Special Revenue	Capital Projects	Redevelopment Agency	Total
<b>Revenues:</b>				
Taxes	\$ 289,477	\$ --	\$ 98,485	\$ 387,962
Licenses, permits and franchises	273,632	--	--	273,632
Fines, forfeitures and penalties	161,900	121,794	--	283,694
Revenue from use of money and property	99,274	(194)	(4,887)	94,193
Aid from other governmental agencies	18,644,778	--	--	18,644,778
Charges for services	1,174,919	--	--	1,174,919
Other revenue	247,818	420	--	248,238
<b>Total Revenues</b>	<b>20,891,798</b>	<b>122,020</b>	<b>93,598</b>	<b>21,107,416</b>
<b>Expenditures:</b>				
Current:				
General government	298,919	--	16,829	315,748
Public protection	2,663,976	--	--	2,663,976
Public ways and facilities	10,981,873	--	--	10,981,873
Health and sanitation	3,743,184	--	--	3,743,184
Public assistance	3,127,975	--	--	3,127,975
Education	1,174,252	--	--	1,174,252
Recreation and culture services	250,870	--	--	250,870
Capital outlay	523,509	367,536	--	891,045
<b>Total Expenditures</b>	<b>22,764,558</b>	<b>367,536</b>	<b>16,829</b>	<b>23,148,923</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,872,760)	(245,516)	76,769	(2,041,507)
<b>Other Financing Sources (Uses):</b>				
Transfers In	5,676,989	21,989	--	5,698,978
Transfers Out	(584,261)	(29,866)	--	(614,127)
<b>Total Other Financing Sources (Uses)</b>	<b>5,092,728</b>	<b>(7,877)</b>	<b>--</b>	<b>5,084,851</b>
<b>Net Change in Fund Balances</b>	<b>3,219,968</b>	<b>(253,393)</b>	<b>76,769</b>	<b>3,043,344</b>
Fund Balances, Beginning of year	3,847,216	223,076	(317,611)	3,752,681
Prior period adjustment	(70,748)	--	--	(70,748)

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2005

	<u>Road</u>	<u>Accumulative Capital Outlay</u>	<u>Library</u>	<u>Fish and Game</u>	<u>Special Aviation</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ --	\$ --	\$ 868	\$ 118	\$ 212
Imprest cash	50	--	217	--	--
Due from other governmental agencies	1,070,661	199,931	--	--	--
Due from other funds	--	--	141,000	97,000	217,000
Accounts receivable	--	50,000	4,000	--	--
Inventory of supplies, at cost	681,121	--	--	--	--
Total Assets	<u>\$ 1,751,832</u>	<u>\$ 249,931</u>	<u>\$ 146,085</u>	<u>\$ 97,118</u>	<u>\$ 217,212</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 423,938	\$ 48,532	\$ 6,806	\$ --	\$ --
Accrued salaries and benefits	154,837	--	26,425	--	--
Due to other funds	12,326	160,931	--	--	--
Deferred revenues	--	199,931	--	--	--
Total Liabilities	<u>591,101</u>	<u>409,394</u>	<u>33,231</u>	<u>--</u>	<u>--</u>
Fund Balances:					
Reserved for:					
Encumbrances	51,370	17,963	--	--	88,282
Inventory	681,121	--	--	--	--
Imprest cash	50	--	217	--	--
Unreserved:					
Undesignated	428,190	(177,426)	112,637	97,118	128,930
Total Fund Balances	<u>1,160,731</u>	<u>(159,463)</u>	<u>112,854</u>	<u>97,118</u>	<u>217,212</u>
Total Liabilities and Fund Balances	<u>\$ 1,751,832</u>	<u>\$ 249,931</u>	<u>\$ 146,085</u>	<u>\$ 97,118</u>	<u>\$ 217,212</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2005

	<u>Supplemental Law Enforcement</u>	<u>COPS AB 1913</u>	<u>Sheriff Special Projects</u>	<u>Mobile Spay/ Neuter</u>	<u>Museum Bookstore/ Projects</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 676	\$ 186	\$ 7,887	\$ 140	\$ 5,021
Imprest cash	--	--	--	--	--
Due from other governmental agencies	--	--	--	--	--
Due from other funds	139,000	267,000	103,000	31,000	107,000
Accounts receivable	--	--	--	976	1,618
Inventory of supplies, at cost	--	--	--	--	--
Total Assets	<u>\$ 139,676</u>	<u>\$ 267,186</u>	<u>\$ 110,887</u>	<u>\$ 32,116</u>	<u>\$ 113,639</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 3,524	\$ 1,375	\$ --	\$ --	\$ 1,909
Accrued salaries and benefits	--	662	--	--	--
Due to other funds	--	--	--	--	--
Deferred revenues	--	--	--	--	--
Total Liabilities	<u>3,524</u>	<u>2,037</u>	<u>--</u>	<u>--</u>	<u>1,909</u>
Fund Balances:					
Reserved for:					
Encumbrances	1,424	19,000	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Unreserved:					
Undesignated	134,728	246,149	110,887	32,116	111,730
Total Fund Balances	<u>136,152</u>	<u>265,149</u>	<u>110,887</u>	<u>32,116</u>	<u>111,730</u>
Total Liabilities and Fund Balances	<u>\$ 139,676</u>	<u>\$ 267,186</u>	<u>\$ 110,887</u>	<u>\$ 32,116</u>	<u>\$ 113,639</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2005

	<u>Recorder Modernization</u>	<u>Micrographics</u>	<u>Assessor</u>	<u>General Plan Update</u>	<u>Realignment</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 27	\$ 1,567	\$ 239	\$ 368	\$ --
Imprest cash	--	--	--	--	--
Due from other governmental agencies	--	--	--	--	--
Due from other funds	282,000	--	219,000	1,011,000	1,231,494
Accounts receivable	1,015	218	184	6,595	--
Inventory of supplies, at cost	--	--	--	--	--
Total Assets	<u>\$ 283,042</u>	<u>\$ 1,785</u>	<u>\$ 219,423</u>	<u>\$ 1,017,963</u>	<u>\$ 1,231,494</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ 474	\$ --	\$ --
Accrued salaries and benefits	--	1,785	--	--	--
Due to other funds	--	--	--	--	--
Deferred revenues	--	--	--	--	1,231,494
Total Liabilities	<u>--</u>	<u>1,785</u>	<u>474</u>	<u>--</u>	<u>1,231,494</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	--	949	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Unreserved:					
Undesignated	283,042	--	218,000	1,017,963	--
Total Fund Balances	<u>283,042</u>	<u>--</u>	<u>218,949</u>	<u>1,017,963</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 283,042</u>	<u>\$ 1,785</u>	<u>\$ 219,423</u>	<u>\$ 1,017,963</u>	<u>\$ 1,231,494</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2005

	<u>Redwood Valley Park Endowment</u>	<u>Walker Endowment</u>	<u>Fort Bragg Library Endowment</u>	<u>Museum Endowment</u>
<u>Assets</u>				
Cash and investments in County Treasury	\$ 63,895	\$ 3,570	\$ 27,228	\$ 793,394
Imprest cash	--	--	--	--
Due from other governmental agencies	--	--	--	--
Due from other funds	--	--	--	--
Accounts receivable	--	--	--	--
Inventory of supplies, at cost	--	--	--	--
Total Assets	<u>\$ 63,895</u>	<u>\$ 3,570</u>	<u>\$ 27,228</u>	<u>\$ 793,394</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Accrued salaries and benefits	--	--	--	--
Due to other funds	--	--	--	--
Deferred revenues	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	--
Inventory	--	--	--	--
Imprest cash	--	--	--	--
Unreserved:				
Undesignated	<u>63,895</u>	<u>3,570</u>	<u>27,228</u>	<u>793,394</u>
Total Fund Balances	<u>63,895</u>	<u>3,570</u>	<u>27,228</u>	<u>793,394</u>
Total Liabilities and Fund Balances	<u>\$ 63,895</u>	<u>\$ 3,570</u>	<u>\$ 27,228</u>	<u>\$ 793,394</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2005

	<u>Ukiah Library Endowment</u>	<u>Low Gap Park Endowment</u>	<u>Bookmobile Endowment</u>	<u>Willits Library Endowment</u>	<u>Mobile Spay/Neuter Endowment</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 138,635	\$ 24,865	\$ 6,286	\$ 5,298	\$ 12,498
Imprest cash	--	--	--	--	--
Due from other governmental agencies	--	--	--	--	--
Due from other funds	--	--	--	--	--
Accounts receivable	--	--	--	--	--
Inventory of supplies, at cost	--	--	--	--	--
Total Assets	<u>\$ 138,635</u>	<u>\$ 24,865</u>	<u>\$ 6,286</u>	<u>\$ 5,298</u>	<u>\$ 12,498</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued salaries and benefits	--	--	--	--	--
Due to other funds	--	--	--	--	--
Deferred revenues	--	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Unreserved:					
Undesignated	<u>138,635</u>	<u>24,865</u>	<u>6,286</u>	<u>5,298</u>	<u>12,498</u>
Total Fund Balances	<u>138,635</u>	<u>24,865</u>	<u>6,286</u>	<u>5,298</u>	<u>12,498</u>
Total Liabilities and Fund Balances	<u>\$ 138,635</u>	<u>\$ 24,865</u>	<u>\$ 6,286</u>	<u>\$ 5,298</u>	<u>\$ 12,498</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2005

	<u>Miscellaneous Grants</u>	<u>Landfill Closure</u>	<u>Special Districts Lighting</u>	<u>Special Districts Other</u>	<u>Total</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 1,459	\$ 15,923	\$ 30,656	\$ 1,972	\$ 1,142,988
Imprest cash	50	--	--	100	417
Due from other governmental agencies	--	--	--	30,945	1,301,537
Due from other funds	35,000	1,470,000	110,000	612,000	6,072,494
Accounts receivable	--	88,954	--	14,697	168,257
Inventory of supplies, at cost	--	--	--	--	681,121
Total Assets	<u>\$ 36,509</u>	<u>\$ 1,574,877</u>	<u>\$ 140,656</u>	<u>\$ 659,714</u>	<u>\$ 9,366,814</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 8,687	\$ 12,051	\$ --	\$ 1,700	\$ 508,996
Accrued salaries and benefits	27,105	--	--	25,692	236,506
Due to other funds	--	--	20,194	--	193,451
Deferred revenues	--	--	--	--	1,431,425
Total Liabilities	<u>35,792</u>	<u>12,051</u>	<u>20,194</u>	<u>27,392</u>	<u>2,370,378</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	178,988
Inventory	--	--	--	--	681,121
Imprest cash	50	--	--	100	417
Unreserved:					
Undesignated	667	1,562,826	120,462	632,222	6,135,910
Total Fund Balances	<u>717</u>	<u>1,562,826</u>	<u>120,462</u>	<u>632,322</u>	<u>6,996,436</u>
Total Liabilities and Fund Balances	<u>\$ 36,509</u>	<u>\$ 1,574,877</u>	<u>\$ 140,656</u>	<u>\$ 659,714</u>	<u>\$ 9,366,814</u>

## COUNTY OF MENDOCINO

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended June 30, 2005

	Road	Accumulative Capital Outlay	Library	Fish and Game	Special Aviation
<b>Revenues:</b>					
Taxes	\$ 152,387	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	87,395	--	--	--	--
Fines, forfeitures and penalties	74,547	32,291	--	17,559	--
Revenue from use of money and property	10,368	(6,566)	5,130	1,897	--
Aid from other governmental agencies	8,063,409	--	266,151	--	20,000
Charges for services	120,982	--	30,801	--	--
Other revenue	65,671	52,430	33,030	225	--
<b>Total Revenues</b>	<b>8,574,759</b>	<b>78,155</b>	<b>335,112</b>	<b>19,681</b>	<b>20,000</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	--	--	--	--	--
Public protection	--	--	--	34,639	--
Public ways and facilities	10,936,643	--	--	--	9,756
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	1,174,252	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	205,292	183,620	--	--	--
<b>Total Expenditures</b>	<b>11,141,935</b>	<b>183,620</b>	<b>1,174,252</b>	<b>34,639</b>	<b>9,756</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,567,176)	(105,465)	(839,140)	(14,958)	10,244
<b>Other Financing Sources (Uses):</b>					
Transfers In	2,900,859	390,451	836,971	--	--
Transfers Out	(17,355)	--	--	--	(19,000)
<b>Total Other Financing Sources (Uses)</b>	<b>2,883,504</b>	<b>390,451</b>	<b>836,971</b>	<b>--</b>	<b>(19,000)</b>
<b>Net Change in Fund Balances</b>	<b>316,328</b>	<b>284,986</b>	<b>(2,169)</b>	<b>(14,958)</b>	<b>(8,756)</b>
Fund Balances, Beginning of year	844,403	(444,449)	115,023	112,076	225,968
Prior period adjustment	--	--	--	--	--

continued



**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2005

	Supplemental Law Enforcement	COPS AB 1913	Sheriff Special Projects	Mobile Spay/ Neuter	Museum Bookstore/ Projects
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--	--
Revenue from use of money and property	2,197	6,067	9,454	391	2,391
Aid from other governmental agencies	125,421	246,120	500,000	--	--
Charges for services	--	--	--	--	--
Other revenue	--	--	2,502	34,937	19,983
<b>Total Revenues</b>	<b>127,618</b>	<b>252,187</b>	<b>511,956</b>	<b>35,328</b>	<b>22,374</b>
<b>Expenditures:</b>					
Current:					
General government	--	--	--	--	--
Public protection	39,919	301,180	5,905	20,872	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	20,068
Capital outlay	5,099	--	2,352	8,073	--
<b>Total Expenditures</b>	<b>45,018</b>	<b>301,180</b>	<b>8,257</b>	<b>28,945</b>	<b>20,068</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	82,600	(48,993)	503,699	6,383	2,306
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	--	--	--	--
Transfers Out	(650)	--	(500,000)	--	--
<b>Total Other Financing Sources (Uses)</b>	<b>(650)</b>	<b>--</b>	<b>(500,000)</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balances</b>	<b>81,950</b>	<b>(48,993)</b>	<b>3,699</b>	<b>6,383</b>	<b>2,306</b>
Fund Balances, Beginning of year	54,202	314,142	107,188	25,733	109,424
Prior period adjustment	--	--	--	--	--

continued

## COUNTY OF MENDOCINO

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Nonmajor Special Revenue Funds For the Year Ended June 30, 2005

	Recorder Modernization	Micrographics	Assessor	General Plan Update	Realignment
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--	--
Revenue from use of money and property	6,343	(67)	4,904	1,887	--
Aid from other governmental agencies	--	--	160,435	--	--
Charges for services	123,349	57,942	--	374,129	--
Other revenue	--	9,213	28,946	--	--
Total Revenues	<u>129,692</u>	<u>67,088</u>	<u>194,285</u>	<u>376,016</u>	<u>--</u>
<b>Expenditures:</b>					
Current:					
General government	177,368	67,088	53,413	--	--
Public protection	--	--	--	19,527	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	--	--	621	--	--
Total Expenditures	<u>177,368</u>	<u>67,088</u>	<u>54,034</u>	<u>19,527</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(47,676)</u>	<u>--</u>	<u>140,251</u>	<u>356,489</u>	<u>--</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	--	--	650,458	--
Transfers Out	--	--	(39,856)	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(39,856)</u>	<u>650,458</u>	<u>--</u>
<b>Net Change in Fund Balances</b>	<u>(47,676)</u>	<u>--</u>	<u>100,395</u>	<u>1,006,947</u>	<u>--</u>
Fund Balances, Beginning of year	330,718	--	118,554	--	--
Prior period adjustment	--	--	--	11,016	--

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2005

	Redwood Valley Park Endowment	Walker Endowment	Fort Bragg Library Endowment	Museum Endowment
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	1,084	61	462	13,494
Aid from other governmental agencies	--	--	--	--
Charges for services	--	--	--	--
Other revenue	--	--	--	--
<b>Total Revenues</b>	<b>1,084</b>	<b>61</b>	<b>462</b>	<b>13,494</b>
<b>Expenditures:</b>				
Current:				
General government	--	--	--	--
Public protection	--	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Recreation and culture services	--	--	--	--
Capital outlay	--	--	--	--
<b>Total Expenditures</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>1,084</b>	<b>61</b>	<b>462</b>	<b>13,494</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	--	--	--	646,250
Transfers Out	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>646,250</b>
<b>Net Change in Fund Balances</b>	<b>1,084</b>	<b>61</b>	<b>462</b>	<b>659,744</b>
Fund Balances, Beginning of year	62,811	3,509	26,766	133,650
Prior period adjustment	--	--	--	--

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2005

	Ukiah Library Endowment	Low Gap Park Endowment	Bookmobile Endowment	Willits Library Endowment	Mobile Spay/Neuter Endowment
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--	--
Revenue from use of money and property	2,604	422	107	90	212
Aid from other governmental agencies	--	--	--	--	--
Charges for services	--	--	--	--	--
Other revenue	--	--	--	--	--
<b>Total Revenues</b>	<b>2,604</b>	<b>422</b>	<b>107</b>	<b>90</b>	<b>212</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	--	--	--	--	--
Public protection	--	--	--	--	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	--	--	--	--	--
<b>Total Expenditures</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,604	422	107	90	212
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	--	--	--	--
Transfers Out	--	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balances</b>	<b>2,604</b>	<b>422</b>	<b>107</b>	<b>90</b>	<b>212</b>
Fund Balances, Beginning of year	136,031	24,443	6,179	5,208	12,286
Prior period adjustment	--	--	--	--	--

continued

## COUNTY OF MENDOCINO

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Nonmajor Special Revenue Funds For the Year Ended June 30, 2005

	Miscellaneous Grants	Landfill Closure	Special Districts Lighting	Special Districts Other	Total
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ 46,607	\$ 90,483	\$ 289,477
Licenses, permits and franchises	--	--	--	186,237	273,632
Fines, forfeitures and penalties	4,885	--	--	32,618	161,900
Revenue from use of money and property	--	24,100	--	12,242	99,274
Aid from other governmental agencies	8,839,682	--	760	422,800	18,644,778
Charges for services	--	408,828	--	58,888	1,174,919
Other revenue	--	--	61	820	247,818
<b>Total Revenues</b>	<b>8,844,567</b>	<b>432,928</b>	<b>47,428</b>	<b>804,088</b>	<b>20,891,798</b>
<b>Expenditures:</b>					
Current:					
General government	1,050	--	--	--	298,919
Public protection	1,893,337	--	--	348,597	2,663,976
Public ways and facilities	--	--	35,474	--	10,981,873
Health and sanitation	2,851,508	235,030	--	656,646	3,743,184
Public assistance	3,127,975	--	--	--	3,127,975
Education	--	--	--	--	1,174,252
Recreation and culture services	230,802	--	--	--	250,870
Capital outlay	99,791	--	--	18,661	523,509
<b>Total Expenditures</b>	<b>8,204,463</b>	<b>235,030</b>	<b>35,474</b>	<b>1,023,904</b>	<b>22,764,558</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	640,104	197,898	11,954	(219,816)	(1,872,760)
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	--	--	252,000	5,676,989
Transfers Out	--	(4,104)	--	(3,296)	(584,261)
<b>Total Other Financing Sources (Uses)</b>	<b>--</b>	<b>(4,104)</b>	<b>--</b>	<b>248,704</b>	<b>5,092,728</b>
<b>Net Change in Fund Balances</b>	<b>640,104</b>	<b>193,794</b>	<b>11,954</b>	<b>28,888</b>	<b>3,219,968</b>
Fund Balances, Beginning of year	(557,623)	1,369,032	108,508	603,434	3,847,216
Prior period adjustment	(81,764)	--	--	--	(70,748)

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors  
 June 30, 2005

	<u>Alexander Estates</u>	<u>Covelo</u>	<u>Fairview Acres</u>	<u>Hopland</u>
<u>Assets</u>				
Cash and investments in County treasury	\$ --	\$ 7,885	\$ 5,189	\$ 201
Due from other funds	--	--	--	42,000
Total Assets	<u>\$ --</u>	<u>\$ 7,885</u>	<u>\$ 5,189</u>	<u>\$ 42,201</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ 17,721	\$ --	\$ --	\$ --
Total Liabilities	<u>17,721</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Unreserved:				
Undesignated	<u>(17,721)</u>	<u>7,885</u>	<u>5,189</u>	<u>42,201</u>
Total Fund Balances	<u>(17,721)</u>	<u>7,885</u>	<u>5,189</u>	<u>42,201</u>
 Total Liabilities and Fund Balances	 <u>\$ --</u>	 <u>\$ 7,885</u>	 <u>\$ 5,189</u>	 <u>\$ 42,201</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors  
 June 30, 2005

	<u>Laytonville</u>	<u>Noyo</u>	<u>Oak Knoll</u>	<u>Riverwood Terrace</u>
<u>Assets</u>				
Cash and investments in County treasury	\$ 7,095	\$ --	\$ 4	\$ 9,283
Due from other funds	--	--	36,000	--
Total Assets	<u>\$ 7,095</u>	<u>\$ --</u>	<u>\$ 36,004</u>	<u>\$ 9,283</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ --	\$ 2,473	\$ --	\$ --
Total Liabilities	<u>--</u>	<u>2,473</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Unreserved:				
Undesignated	7,095	(2,473)	36,004	9,283
Total Fund Balances	<u>7,095</u>	<u>(2,473)</u>	<u>36,004</u>	<u>9,283</u>
Total Liabilities and Fund Balances	<u>\$ 7,095</u>	<u>\$ --</u>	<u>\$ 36,004</u>	<u>\$ 9,283</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors  
 June 30, 2005

	Ukiah Village	West Talmage	Total
<u>Assets</u>			
Cash and investments in County treasury	\$ 44	\$ 955	\$ 30,656
Due from other funds	20,000	12,000	110,000
Total Assets	\$ 20,044	\$ 12,955	\$ 140,656
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ --	\$ --	\$ 20,194
Total Liabilities	--	--	20,194
Fund Balances:			
Unreserved:			
Undesignated	20,044	12,955	120,462
Total Fund Balances	20,044	12,955	120,462
Total Liabilities and Fund Balances	\$ 20,044	\$ 12,955	\$ 140,656



**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Lighting Special Districts Governed by the Board of Supervisors  
For the Year Ended June 30, 2005

	<u>Alexander</u> <u>Estates</u>	<u>Covelo</u>	<u>Fairview</u> <u>Acres</u>	<u>Hopland</u>
<b>Revenues:</b>				
Taxes	\$ 6,202	\$ 5,727	\$ 1,444	\$ 10,573
Aid from other governmental agencies	101	89	23	170
Other revenue	7	--	--	--
Total Revenues	<u>6,310</u>	<u>5,816</u>	<u>1,467</u>	<u>10,743</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	<u>8,584</u>	<u>4,909</u>	<u>854</u>	<u>5,271</u>
Total Expenditures	<u>8,584</u>	<u>4,909</u>	<u>854</u>	<u>5,271</u>
<b>Net change in fund balances</b>	(2,274)	907	613	5,472
Fund Balances, Beginning	<u>(15,447)</u>	<u>6,978</u>	<u>4,576</u>	<u>36,729</u>
Fund Balances, Ending	<u><u>\$ (17,721)</u></u>	<u><u>\$ 7,885</u></u>	<u><u>\$ 5,189</u></u>	<u><u>\$ 42,201</u></u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances (continued)  
Nonmajor Lighting Special Districts Governed by the Board of Supervisors  
For the Year Ended June 30, 2005

	<u>Laytonville</u>	<u>Noyo</u>	<u>Oak Knoll</u>	<u>Riverwood Terrance</u>
<b>Revenues:</b>				
Taxes	\$ 2,787	\$ 1,971	\$ 6,866	\$ 1,848
Aid from other governmental agencies	43	42	110	30
Other revenue	--	--	2	--
Total Revenues	<u>2,830</u>	<u>2,013</u>	<u>6,978</u>	<u>1,878</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	<u>2,328</u>	<u>3,362</u>	<u>3,629</u>	<u>656</u>
Total Expenditures	<u>2,328</u>	<u>3,362</u>	<u>3,629</u>	<u>656</u>
<b>Net change in fund balances</b>	502	(1,349)	3,349	1,222
Fund Balances, Beginning	<u>6,593</u>	<u>(1,124)</u>	<u>32,655</u>	<u>8,061</u>
Fund Balances, Ending	<u>\$ 7,095</u>	<u>\$ (2,473)</u>	<u>\$ 36,004</u>	<u>\$ 9,283</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances (continued)  
Nonmajor Lighting Special Districts Governed by the Board of Supervisors  
For the Year Ended June 30, 2005

	<u>Ukiah Village</u>	<u>West Talmage</u>	<u>Total</u>
<b>Revenues:</b>			
Taxes	\$ 6,047	\$ 3,142	\$ 46,607
Aid from other governmental agencies	102	50	760
Other revenue	52	--	61
Total Revenues	<u>6,201</u>	<u>3,192</u>	<u>47,428</u>
<b>Expenditures:</b>			
Current:			
Public ways and facilities	<u>4,246</u>	<u>1,635</u>	<u>35,474</u>
Total Expenditures	<u>4,246</u>	<u>1,635</u>	<u>35,474</u>
<b>Net change in fund balances</b>	1,955	1,557	11,954
Fund Balances, Beginning	<u>18,089</u>	<u>11,398</u>	<u>108,508</u>
Fund Balances, Ending	<u>\$ 20,044</u>	<u>\$ 12,955</u>	<u>\$ 120,462</u>

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
 Nonmajor Other Special Districts Governed by the Board of Supervisors  
 June 30, 2005

	Meadowbrook Manor Sanitation	Mendocino County Water Agency
<u>Assets</u>		
Cash and investments in County Treasury	\$ 142	\$ 881
Imprest cash	--	--
Accounts receivable	--	12,596
Due from other governments	--	--
Due from other funds	12,000	173,000
Total Assets	\$ 12,142	\$ 186,477
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Vouchers and accounts payable	\$ --	\$ 729
Accrued salaries and benefits	--	8,681
Total Liabilities	--	9,410
Fund Balances:		
Reserved:		
Imprest cash	--	--
Unreserved:		
Undesignated	12,142	177,067
Total Fund Balances	12,142	177,067
Total Liabilities and Fund Balances	\$ 12,142	\$ 186,477

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Other Special Districts Governed by the Board of Supervisors  
 June 30, 2005

	<u>Air Quality Management</u>	<u>Total</u>
<u>Assets</u>		
Cash and investments in County Treasury	\$ 949	\$ 1,972
Imprest cash	100	100
Accounts receivable	2,101	14,697
Due from other governments	30,945	30,945
Accounts receivable	427,000	612,000
Total Assets	<u>\$ 461,095</u>	<u>\$ 659,714</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Vouchers and accounts payable	\$ 971	\$ 1,700
Accrued salaries and benefits	17,011	25,692
Total Liabilities	<u>17,982</u>	<u>27,392</u>
Fund Balances:		
Reserved:		
Imprest cash	100	100
Unreserved:		
Undesignated	443,013	632,222
Total Fund Balances	<u>443,113</u>	<u>632,322</u>
Total Liabilities and Fund Balances	<u>\$ 461,095</u>	<u>\$ 659,714</u>

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Other Special Districts Governed by the Board of Supervisors  
For the Year Ended June 30, 2005

	Meadowbrook Manor Sanitation	Mendocino County Water Agency
<b>Revenues:</b>		
Taxes	\$ 1,377	\$ 89,106
Licenses, permits and franchises	--	--
Fines, forfeitures and penalties	--	--
Revenue from use of money and property	--	4,041
Aid from other governmental agencies	22	1,430
Charges for services	--	44,351
Other revenue	--	68
Total Revenues	<u>1,399</u>	<u>138,996</u>
<b>Expenditures:</b>		
Current:		
Public protection	--	348,597
Health and sanitation	528	--
Capital outlay	--	18,661
Total Expenditures	<u>528</u>	<u>367,258</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>871</u>	<u>(228,262)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	--	252,000
Transfers out	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>252,000</u>
<b>Net change in fund balances</b>	871	23,738
Fund Balances, Beginning	<u>11,271</u>	<u>153,329</u>
Fund Balances, Ending	<u>\$ 12,142</u>	<u>\$ 177,067</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances (continued)  
Nonmajor Other Special Districts Governed by the Board of Supervisors  
For the Year Ended June 30, 2005

	<u>Air Quality Management</u>	<u>Total</u>
<b>Revenues:</b>		
Taxes	\$ --	\$ 90,483
Licenses, permits and franchises	186,237	186,237
Fines, forfeitures and penalties	32,618	32,618
Revenue from use of money and property	8,201	12,242
Aid from other governmental agencies	421,348	422,800
Charges for services	14,537	58,888
Other revenue	752	820
Total Revenues	663,693	804,088
<b>Expenditures:</b>		
Current:		
Public protection	--	348,597
Health and sanitation	656,118	656,646
Capital outlay	--	18,661
Total Expenditures	656,118	1,023,904
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,575	(219,816)
<b>Other Financing Sources (Uses):</b>		
Transfers in	--	252,000
Transfers out	(3,296)	(3,296)
Total Other Financing Sources (Uses)	(3,296)	248,704
<b>Net change in fund balances</b>	4,279	28,888
Fund Balances, Beginning	438,834	603,434
Fund Balances, Ending	\$ 443,113	\$ 632,322

**COUNTY OF MENDOCINO**

Combining Statement of Fund Net Assets  
Internal Service Funds  
June 30, 2005

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>
<b><u>Assets</u></b>				
Current Assets:				
Cash	\$ 238,321	\$ 343,797	\$ 138,143	\$ --
Accounts receivable	--	--	--	--
Total current assets	<u>238,321</u>	<u>343,797</u>	<u>138,143</u>	<u>--</u>
Noncurrent assets:				
Depreciable:				
Equipment	39,518	--	--	11,240
Less accumulated depreciation	(23,010)	--	--	(9,236)
Total noncurrent assets	<u>16,508</u>	<u>--</u>	<u>--</u>	<u>2,004</u>
 Total Assets	 <u>\$ 254,829</u>	 <u>\$ 343,797</u>	 <u>\$ 138,143</u>	 <u>\$ 2,004</u>
 <b><u>Liabilities</u></b>				
Accounts payable	\$ 27,826	\$ 134,639	\$ --	\$ 54,979
Accrued salaries and benefits	--	--	--	4,022
Compensated absences payable	--	--	--	14,610
Due to other funds	--	--	--	76,884
Liability for unpaid claims	--	--	497,440	1,252,239
 Total Liabilities	 <u>27,826</u>	 <u>134,639</u>	 <u>497,440</u>	 <u>1,402,734</u>
 <b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	16,508	--	--	2,004
Unrestricted	210,495	209,158	(359,297)	(1,402,734)
Total Net Assets	<u>227,003</u>	<u>209,158</u>	<u>(359,297)</u>	<u>(1,400,730)</u>



**COUNTY OF MENDOCINO**

Combining Statement of Fund Net Assets (continued)  
Internal Service Funds  
June 30, 2005

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
<b><u>Assets</u></b>				
Current Assets:				
Cash	\$ --	\$ --	\$ 259	\$ 720,520
Accounts receivable	--	349,022	--	349,022
Total current assets	<u>--</u>	<u>349,022</u>	<u>259</u>	<u>1,069,542</u>
Noncurrent assets:				
Depreciable:				
Equipment	12,246	2,258	--	65,262
Less accumulated depreciation	(8,990)	(2,071)	--	(43,307)
Total noncurrent assets	<u>3,256</u>	<u>187</u>	<u>--</u>	<u>21,955</u>
 Total Assets	 <u>\$ 3,256</u>	 <u>\$ 349,209</u>	 <u>\$ 259</u>	 <u>\$ 1,091,497</u>
 <b><u>Liabilities</u></b>				
Accounts payable	\$ --	\$ 740,909	\$ --	\$ 958,353
Accrued salaries and benefits	6,711	1,907	--	12,640
Compensated absences payable	1,737	--	--	16,347
Due to other funds	458,276	600,880	156,000	1,292,040
Liability for unpaid claims	--	1,384,818	242,206	3,376,703
 Total Liabilities	 <u>466,724</u>	 <u>2,728,514</u>	 <u>398,206</u>	 <u>5,656,083</u>
 <b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	3,256	187	--	21,955
Unrestricted	(466,724)	(2,379,492)	(397,947)	(4,586,541)
Total Net Assets	<u>(463,468)</u>	<u>(2,379,305)</u>	<u>(397,947)</u>	<u>(4,564,586)</u>

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2005

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemploymen Insurance</u>	<u>General Liability Insurance</u>
Operating Revenues:				
Charges and fees	\$ --	\$ 443,480	\$ 681,220	\$ 1,520,573
Other	--	22,360	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	--	465,840	681,220	1,520,573
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Expenses:				
Salaries and benefits	--	--	--	125,310
Services and supplies	112,489	--	1,057	187,734
Insurance	--	--	246,254	581,257
Depreciation	6,152	--	--	1,848
Claims and judgments	--	--	--	35,764
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	118,641	--	247,311	931,913
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	(118,641)	465,840	433,909	588,660
	<hr/>	<hr/>	<hr/>	<hr/>
Non-Operating Revenues (Expenses)				
Interest revenue (expense)	4,055	4,946	2,855	1,060
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	4,055	4,946	2,855	1,060
	<hr/>	<hr/>	<hr/>	<hr/>
Income (Loss) Before Transfers	(114,586)	470,786	436,764	589,720
	<hr/>	<hr/>	<hr/>	<hr/>
Transfers in	243,952	--	--	--
Transfers out	(638)	(569,192)	--	(2,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	128,728	(98,406)	436,764	587,220
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets - Beginning	98,275	1,287,055	(796,061)	(1,987,950)
Net assets- beginning as restated	98,275	1,287,055	(796,061)	(1,987,950)
Net Assets - Ending	<u>\$ 227,003</u>	<u>\$ 1,188,649</u>	<u>\$ (359,297)</u>	<u>\$ (1,400,730)</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets (continued)  
Internal Service Funds  
For the Year Ended June 30, 2005

	Worker's Compensation	Health Insurance	Retiree Health Insurance	Total
Operating Revenues:				
Charges and fees	\$ 4,403,001	\$ 9,769,156	\$ --	\$ 16,817,430
Other	--	--	2,837,549	2,859,909
<b>Total Operating Revenues</b>	<b>4,403,001</b>	<b>9,769,156</b>	<b>2,837,549</b>	<b>19,677,339</b>
Operating Expenses:				
Salaries and benefits	155,527	56,198	--	337,035
Services and supplies	3,307	8,288,671	2,705,609	11,298,867
Insurance	4,411,191	405,095	493,396	6,137,193
Depreciation	1,612	452	--	10,064
Claims and judgments	--	--	--	35,764
<b>Total Operating Expenses</b>	<b>4,571,637</b>	<b>8,750,416</b>	<b>3,199,005</b>	<b>17,818,923</b>
Operating Income (Loss)	(168,636)	1,018,740	(361,456)	1,858,416
Non-Operating Revenues (Expenses)				
Interest revenue (expense)	(14,852)	(12,753)	(1,307)	(15,996)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(14,852)</b>	<b>(12,753)</b>	<b>(1,307)</b>	<b>(15,996)</b>
Income (Loss) Before Transfers	(183,488)	1,005,987	(362,763)	1,842,420
Transfers in	--	--	--	243,952
Transfers out	--	(146,158)	--	(718,488)
Change in net assets	(183,488)	859,829	(362,763)	1,367,884
Net Assets - Beginning	(279,980)	(3,239,134)	(35,184)	(4,952,979)
Net assets- beginning as restated	(279,980)	(3,239,134)	(35,184)	(4,952,979)
Net Assets - Ending	<u>\$ (463,468)</u>	<u>\$ (2,379,305)</u>	<u>\$ (397,947)</u>	<u>\$ (3,585,095)</u>

**COUNTY OF MENDOCINO**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2005

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from interfund services provided	\$ 327,282	\$ 884,496	\$ 681,220	\$ 1,532,656
Cash paid to suppliers for goods and services	(336,330)	23,547	(545,932)	(729,833)
Cash paid to employees for services	--	--	--	(801,383)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Operating Activities	<u>(9,048)</u>	<u>908,043</u>	<u>135,288</u>	<u>1,440</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	243,952	--	--	--
Transfers out	(638)	(569,192)	--	(2,500)
Interest payments	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>243,314</u>	<u>(569,192)</u>	<u>          </u>	<u>(2,500)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	4,055	4,946	2,855	1,060
Net Cash Provided (Used) by Investing Activities	<u>4,055</u>	<u>4,946</u>	<u>2,855</u>	<u>1,060</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	238,321	343,797	138,143	--
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 238,321</u>	<u>\$ 343,797</u>	<u>\$ 138,143</u>	<u>\$           </u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Adjustments to reconcile operating income operating activities:				
Depreciation	6,152	--	--	1,848
Adjustments to capital assets	--	--	--	1,016
Due from other funds	327,282	418,656	--	--
Increase (decrease) in:				
Accounts payable	(223,841)	23,547	--	(8,201)
Due to other funds	--	--	(262,865)	(88,268)
Accrued salaries	--	--	--	892
Compensated absences	--	--	--	2,480
Liability for self-insurance	--	--	(35,756)	(509,070)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 109,593</u>	<u>\$ 442,203</u>	<u>\$ (298,621)</u>	<u>\$ (599,303)</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2005

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from interfund services provided	\$ 4,403,001	\$ 9,738,116	\$ 2,837,549	\$ 20,404,320
Cash paid to suppliers for goods and services	(4,235,009)	(9,523,057)	(2,835,983)	(18,182,597)
Cash paid to employees for services	<u>(153,140)</u>	<u>(56,240)</u>	<u>--</u>	<u>(1,010,763)</u>
Net Cash Provided (Used) by Operating Activities	<u>14,852</u>	<u>158,819</u>	<u>1,566</u>	<u>1,210,960</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	--	--	--	243,952
Transfers out	--	(146,158)	--	(718,488)
Interest payments	<u>(14,852)</u>	<u>(12,753)</u>	<u>(1,307)</u>	<u>(28,912)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(14,852)</u>	<u>(158,911)</u>	<u>(1,307)</u>	<u>(503,448)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	--	--	--	12,916
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>12,916</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	--	(92)	259	720,428
<b>Cash and Cash Equivalents, Beginning of Year</b>	--	92	--	92
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 259</u>	<u>\$ 720,520</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Adjustments to reconcile operating income operating activities:				
Depreciation	1,612	452	--	10,064
Adjustments to capital assets	(1,002)	--	--	14
Due from other funds	--	--	--	745,938
Increase (decrease) in:				
Accounts payable	--	(489,995)	(34,942)	(733,432)
Due to other funds	180,491	75,886	155,758	61,002
Accrued salaries	1,726	(42)	--	2,576
Compensated absences	661	--	--	3,141
Liability for self-insurance	--	(415,182)	242,206	(717,802)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 183,488</u>	<u>\$ (828,881)</u>	<u>\$ 363,022</u>	<u>\$ (628,499)</u>

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
Investment Trust Funds  
June 30, 2005

	Special Districts Local Boards	School Districts	Total
<u>Assets</u>			
Cash and investments in County Treasury	\$ 10,960,485	\$ 52,053,506	\$ 63,013,991
Imprest cash	2,461,251	--	2,461,251
Accounts receivable	143,598	--	143,598
Total Assets	<u>\$ 13,565,334</u>	<u>\$ 52,053,506</u>	<u>\$ 65,618,840</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 126,079	\$ --	\$ 126,079
Accrued payroll and benefits	8,382	--	8,382
Total Liabilities	<u>134,461</u>	<u>--</u>	<u>134,461</u>
Fund Balance:			
Reserved for pool participants	<u>13,430,873</u>	<u>52,053,506</u>	<u>65,484,379</u>
Total Fund Balance	<u>13,430,873</u>	<u>52,053,506</u>	<u>65,484,379</u>
Total Liabilities and Fund Balance	<u>\$ 13,565,334</u>	<u>\$ 52,053,506</u>	<u>\$ 65,618,840</u>