

**COUNTY OF MENDOCINO**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

THIS PAGE INTENTIONALLY LEFT BLANK

**COUNTY OF MENDOCINO**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Table of Contents

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis (Required Supplementary Information) .....	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	13-14
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position – Governmental Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16-17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities .....	18
Proprietary Funds:	
Statement of Net Position .....	19
Statement of Revenues, Expenses, and Changes in Net Position.....	20
Statement of Cash Flows.....	21
Fiduciary Funds:	
Statement of Fiduciary Net Position .....	22
Statement of Changes in Fiduciary Net Position .....	23
Notes to the Basic Financial Statements.....	25-55
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability .....	59
Schedule of the County's Contributions .....	59
Budgetary Comparison Schedule – General Fund.....	60-61
Budgetary Comparison Schedule – Mental Health Services Fund .....	62
Budgetary Comparison Schedule – Road Fund.....	63
Note to Required Supplementary Information:	
Budgetary Basis of Accounting.....	64
Supplemental Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	67-70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	71-74
Internal Service Funds:	
Combining Statement of Net Position.....	75-76
Combining Statement of Revenues, Expenses, and Changes in Net Position .....	77-78
Combining Statement of Cash Flows .....	79-80
Investment Trust Funds:	
Combining Statement of Fiduciary Net Position .....	81

THIS PAGE INTENTIONALLY LEFT BLANK

## **FINANCIAL SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, 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, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Supervisors and Grand Jury  
County of Mendocino

## **Emphasis of Matter**

### *Implementation of New Accounting Pronouncement*

As discussed in the Note 1 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.



Roseville, California  
December 22, 2015



## COUNTY OF MENDOCINO

### Management's Discussion and Analysis For the Year Ended June 30, 2015

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, 2015. We encourage readers to consider the information presented here.

#### Financial Highlights

- ❖ The County of Mendocino's liabilities exceeded its assets at the close of the most recent fiscal year by (\$48,791,743) (net position). There was a deficit of (\$162,304,832) in unrestricted net position.
- ❖ The County's total net position decreased by \$128,771,167. Reasons for this decrease include the elimination of the net pension asset and the addition of the net pension liability required by the new Government Accounting Standards Board Statement no. 68.
- ❖ At the close of the current fiscal year, the County's combined (all governmental funds) ending fund balance was \$59,590,287. This was an increase of \$6,311,678 in comparison with the prior year.
- ❖ Unassigned fund balance for the General Fund at the close of the current fiscal year was \$15,329,500.
- ❖ Total debt decreased by \$4,986,056 (5.26%) during the 2014/15 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 Position and Statement of Activities.

The Statement of Net Position presents information on all County assets, liabilities and deferred outflows/inflows, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 11-12 of this report.

## COUNTY OF MENDOCINO

### Management's Discussion and Analysis For the Year Ended June 30, 2015

**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.

The County of Mendocino maintains eighteen 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 road fund, the mental health fund, the debt service fund and the pension obligation bonds fund, all of which are considered to be major funds. Data from the other thirteen 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 schedule (page 60) has been provided for the general fund to demonstrate compliance with this budget.

The basic Governmental Fund Financial Statements can be found on pages 13-18 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 19-21 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 22-23 of this report.

**COUNTY OF MENDOCINO**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**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 25-55 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 57-64 of this report.

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. Combining and individual fund statements and schedules can be found on pages 65-81 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County of Mendocino, liabilities and deferred inflows exceeded assets and deferred outflows by (48,791,743) at the close of the 2014/15 Fiscal Year.

By far the largest portion of the County's net position 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 Position**

	Governmental Activities*	
	2015	2014
Current and other assets	\$ 95,887,774	\$ 114,575,403
Capital assets	105,467,190	100,071,317
Total Assets	201,354,964	214,646,720
Deferred outflows of resources - pension	51,480,461	--
Long-term liabilities	248,697,372	120,441,855
Other liabilities	18,091,884	14,225,441
Total Liabilities	266,789,256	134,667,296
Deferred inflows of resources - pension	34,837,912	--
Net Position:		
Net investment in capital assets	83,928,775	77,486,846
Restricted	29,584,314	30,589,411
Unrestricted	(162,304,832)	(28,096,833)
Total Net Position	\$ (48,791,743)	\$ 79,979,424

**COUNTY OF MENDOCINO**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

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

Investment in capital assets is subject to various external restrictions on how they may be used. The remaining negative balance of unrestricted net position in the amount of (\$162,304,832) cannot be used to meet the County's ongoing obligations to citizens and creditors.

**Governmental Activities.** Governmental activities decreased the County's net position by \$128,771,167. Key elements of this decrease are the elimination of the net pension asset and the addition of the net pension liability required by the new Governmental Accounting Standards Board Statement no. 68.

<b>Revenues</b>		
	2015	2014
<b>Program Revenues:</b>		
Fees, fines and charges for services	\$ 16,414,112	\$ 16,541,512
Operating grants & contributions	105,656,294	102,164,072
Capital grants & contributions	6,410,167	4,431,138
<b>General Revenues:</b>		
Property taxes	43,773,268	41,090,300
Sales & use taxes	14,687,172	13,395,840
Other taxes	4,917,357	4,243,631
Unrestricted interest & investment earnings	274,340	374,872
Gain (loss) on sale of assets	--	155,000
Miscellaneous	4,258,443	1,466,672
<b>Total Revenues</b>	<b>196,391,153</b>	<b>183,863,037</b>
<b>Expenses</b>		
<b>Expenses:</b>		
General government	15,424,429	15,162,563
Public protection	55,032,835	52,834,030
Public ways & facilities	15,381,312	13,130,250
Health & sanitation	36,321,772	35,194,672
Public assistance	58,778,005	58,200,338
Education	2,965,470	2,634,983
Recreation and cultural services	611,399	454,096
Interest on long-term debt	4,709,749	4,976,945
<b>Total Expenses</b>	<b>189,224,971</b>	<b>182,587,877</b>
<b>Change in Net Position</b>	7,166,182	1,275,160
<b>Beginning Net Position, Restated</b>	<b>(55,957,925)</b>	<b>78,704,264</b>
<b>Ending Net Position</b>	<b>\$ (48,791,743)</b>	<b>\$ 79,979,424</b>

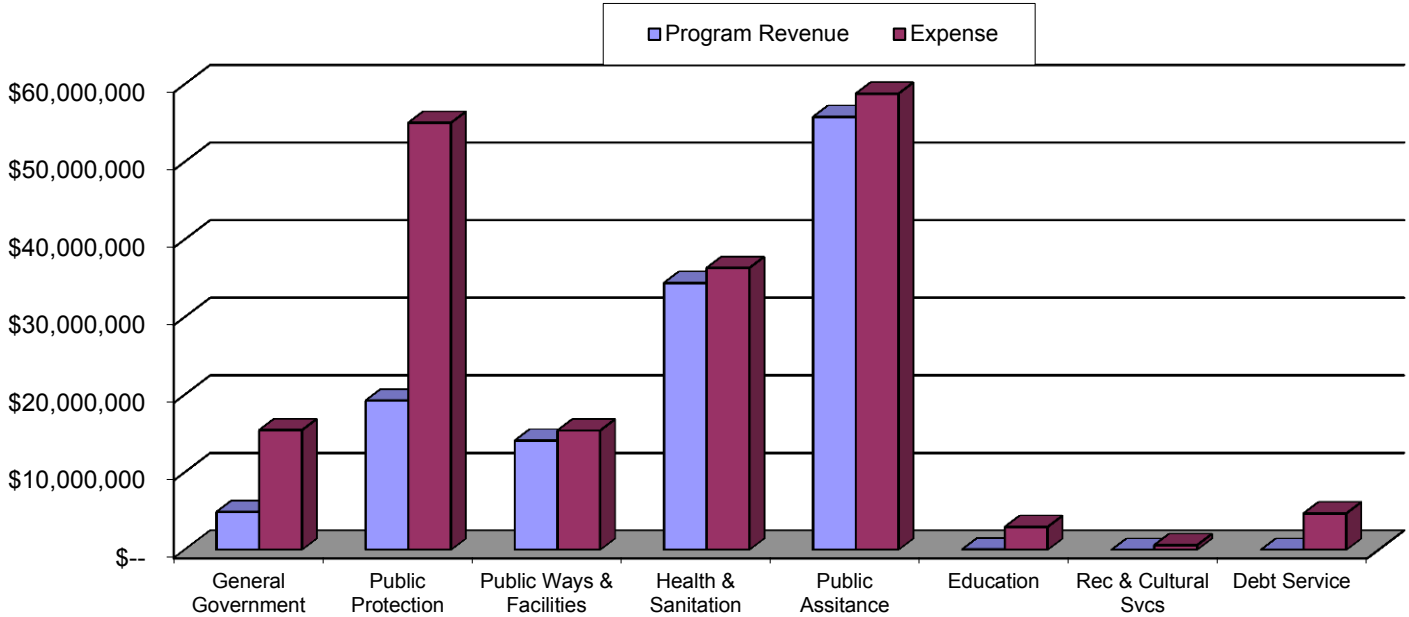
**COUNTY OF MENDOCINO**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

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

- ❖ Property taxes increased by \$2,682,968 (6.53%) during the year. Most of this increase is attributable to the growth in the County's Assessed Valuation.

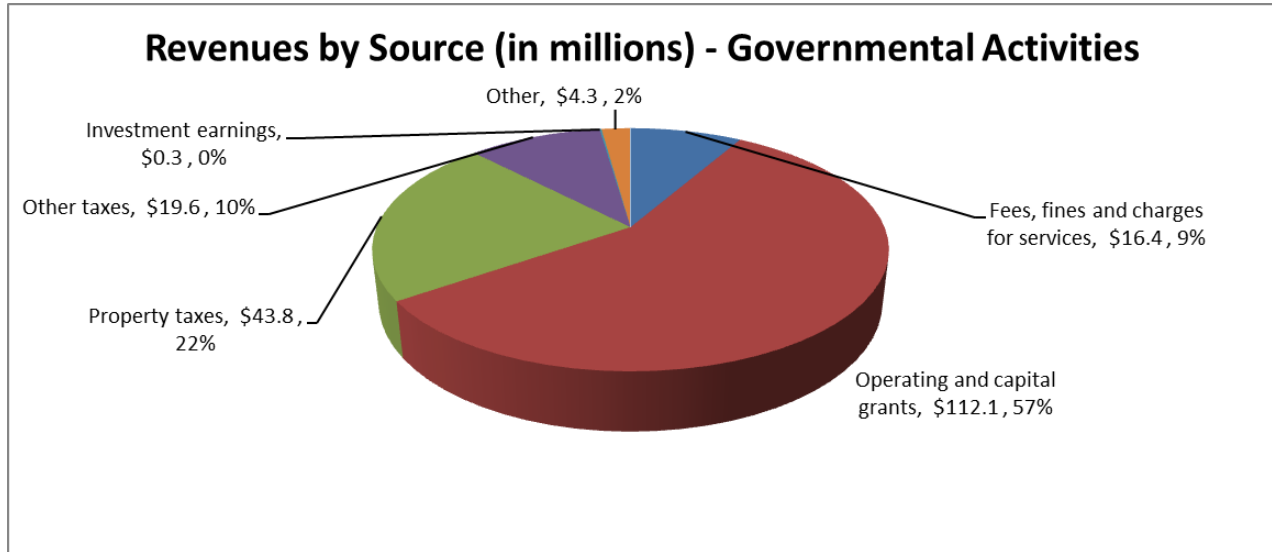
**Expenses and Program Revenue - Governmental Activities**



Expenses and Program Revenue		
Governmental Functions	Program Revenue	Program Expense
General Government	\$ 4,891,625	\$ 15,424,429
Public Protection	19,242,408	55,032,835
Public Ways & Facilities	14,086,189	15,381,312
Health & Sanitation	34,400,782	36,321,772
Public Assistance	55,794,609	58,778,005
Education	64,960	2,965,470
Rec & Cultural Svcs	--	611,399
Debt Service	--	4,709,749

COUNTY OF MENDOCINO

Management's Discussion and Analysis  
For the Year Ended June 30, 2015



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 34% 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.

**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.

**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 \$59,590,287, an increase of \$6,311,678 from the prior year. Some of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$8,720,346); 2) for specific road infrastructure projects (\$4,459,385); 3) for mental health programs (\$5,265,533); 4) for a variety of other restricted purposes (\$5,614,280).

The general fund is the chief operating fund of the County of Mendocino. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,329,500, while total fund balance reached \$34,848,239. The fund balance of the County of Mendocino's general fund increased by \$7,491,935 during the 2014/15 Fiscal Year.

The debt service fund had a total fund balance of \$2,009,632, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$160,992. Interest expenditures for the debt service fund decreased during the current period by \$30,549.

**COUNTY OF MENDOCINO**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

The pension obligation fund had a total fund balance of \$6,710,714, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$414,389.

The mental health services fund had a total fund balance of 5,265,533. The net increase in fund balance during the current year was \$80,988.

The road fund had a total fund balance of \$5,151,689. The net decrease for the year was \$1,626,275.

**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 position of the internal service funds at the end of the year amounted to \$9,219,366.

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

- ❖ Increased Sheriff's budgeted expenditures and corresponding revenues by \$507,775 for fixed asset purchases from; Restitution 11470.2 funds, SAFE funds, and Sheriff Civil Fees.

**Capital Asset and Debt Administration**

**Capital Assets.** The County of Mendocino's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$105,467,190 (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 increase in the County of Mendocino's investment in capital assets for the current fiscal year was \$5,395,873 (5.39%). Additional details of capital assets are in Note 6 on Page 41.

**County of Mendocino's Capital Assets**

	<u>2015</u>	<u>2014</u>
Land	\$ 2,928,620	\$ 2,921,620
Structures and improvements	35,999,325	35,858,707
Improvements other than buildings	1,832,132	2,041,370
Equipment	7,912,974	6,715,626
Infrastructure	41,547,208	43,683,718
Construction in progress	<u>15,246,931</u>	<u>8,850,276</u>
Total	<u>\$ 105,467,190</u>	<u>\$ 100,071,317</u>

COUNTY OF MENDOCINO

Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**Long-term debt.** At the end of the current fiscal year, the County of Mendocino has long-term debt outstanding of \$89,843,415.

County of Mendocino's Outstanding Debt

	2015	2014
General obligation bonds	\$ 68,305,000	\$ 72,245,000
Certificates of Participation	21,525,000	22,545,000
Capital leases & loans	13,415	39,471
Total	<u>\$ 89,843,415</u>	<u>\$ 94,829,471</u>

The County of Mendocino's total debt decreased by \$4,986,056 (5.25%) during the current fiscal year. The key factor in this decrease was an increase in principal payment on the general obligation bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue at 10% of its total assessed valuation. The current debt limitation for the County of Mendocino is \$988,519,584, 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 7 on pages 42-43 of this report.

**Economic Factors that Impacted Budget.** All of the factors listed below were considered in preparing the County of Mendocino's budget for the 2014/15 fiscal year.

- ❖ Evidence of slow but improving national, state & local economies.
- ❖ Increased expenses to employee benefits due to increases in retirement costs.
- ❖ Increased expenses to employee salaries due to negotiated salary increases.

**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**

THIS PAGE INTENTIONALLY LEFT BLANK

**COUNTY OF MENDOCINO**

Statement of Net Position  
June 30, 2015

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 69,617,362
Cash with fiscal agent	8,047,206
Other cash	54,373
Accounts receivable	870,305
Due from other governments	15,482,599
Taxes receivable	1,008,180
Inventories	807,749
Capital assets:	
Nondepreciable	18,175,552
Depreciable, net	87,291,638
Total Assets	<u>201,354,964</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred pensions	<u>51,480,461</u>
 <b><u>LIABILITIES</u></b>	
Accounts payable	7,757,715
Salaries and benefits payable	2,477,937
Interest payable	1,988,171
Unearned revenue	5,868,061
Long-Term Liabilities:	
Portion due or payable within one year:	
Certificates of participation	1,045,000
Bonds payable	4,155,000
Loans payable	13,415
Liability for compensated absences	4,028,319
Claims liability	2,976,084
Portion due or payable after one year:	
Certificates of participation	20,480,000
Bonds payable	64,150,000
Closure/post-closure liability	21,144,333
Net pension liability	130,705,221
Total Liabilities	<u>266,789,256</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred pensions	<u>34,837,912</u>
 <b><u>NET POSITION</u></b>	
Net Investment in capital assets	83,928,775
Restricted for:	
Legally segregated taxes, grants and fees	20,863,968
Debt service and capital projects	8,720,346
Unrestricted	(162,304,832)
Total Net Position	<u>\$ (48,791,743)</u>

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

**COUNTY OF MENDOCINO**

Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
					Primary Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 15,424,429	\$ 2,846,389	\$ 1,923,502	\$ 121,734	\$ (10,532,804)
Public protection	55,032,835	9,305,980	9,936,428	--	(35,790,427)
Public ways and facilities	15,381,312	233,767	7,563,989	6,288,433	(1,295,123)
Health and sanitation	36,321,772	3,691,545	30,709,237	--	(1,920,990)
Public assistance	58,778,005	274,206	55,520,403	--	(2,983,396)
Education	2,965,470	62,225	2,735	--	(2,900,510)
Recreation and culture	611,399	--	--	--	(611,399)
Debt Service:					
Interest	4,709,749	--	--	--	(4,709,749)
Total Governmental Activities	<u>\$ 189,224,971</u>	<u>\$ 16,414,112</u>	<u>\$ 105,656,294</u>	<u>\$ 6,410,167</u>	<u>(60,744,398)</u>
General Revenues:					
Taxes:					
Property taxes					43,773,268
Sales and use taxes					14,687,172
Transient occupancy tax					4,491,130
Other					426,227
Unrestricted interest and investment earnings					274,340
Miscellaneous					4,258,443
Total General Revenues					<u>67,910,580</u>
Change in Net Position					7,166,182
Net Position - Beginning of Year, restated					<u>(55,957,925)</u>
Net Position - End of Year					<u>\$ (48,791,743)</u>

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

**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

THIS PAGE INTENTIONALLY LEFT BLANK

**MENDOCINO COUNTY**

Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Debt Service	Pension Obligation Bonds	Mental Health Services
<u>Assets</u>				
Pooled cash and investments in treasury	\$41,081,919	\$ 50,764	\$ 622,376	\$ 7,417,517
Restricted Assets:				
Cash with fiscal agent	--	1,958,868	6,088,338	--
Imprest cash	4,287	--	--	--
Accounts receivable	813,064	--	--	--
Taxes receivable	838,358	--	--	--
Due from other governments	5,846,986	--	--	4,402,135
Due from other funds	9,800	--	--	--
Inventory	115,445	--	--	--
Total Assets	<u>\$48,709,859</u>	<u>\$ 2,009,632</u>	<u>\$6,710,714</u>	<u>\$ 11,819,652</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,399,135	\$ --	\$ --	\$ 2,664,150
Accrued salaries and benefits	2,145,715	--	--	75,554
Due to other funds	--	--	--	--
Unearned revenue	5,858,061	--	--	--
Total Liabilities	<u>11,402,911</u>	<u>--</u>	<u>--</u>	<u>2,739,704</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	2,458,709	--	--	3,814,415
Total Deferred Inflows of Resources	<u>2,458,709</u>	<u>--</u>	<u>--</u>	<u>3,814,415</u>
<u>Fund Balances</u>				
Nonspendable	115,445	--	--	--
Restricted	--	2,009,632	6,710,714	5,265,533
Assigned	19,403,294	--	--	--
Unassigned	15,329,500	--	--	--
Total Fund Balances	<u>34,848,239</u>	<u>2,009,632</u>	<u>6,710,714</u>	<u>5,265,533</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$48,709,859</u>	<u>\$ 2,009,632</u>	<u>\$6,710,714</u>	<u>\$ 11,819,652</u>

continued

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

**MENDOCINO COUNTY**

Balance Sheet (continued)  
Governmental Funds  
June 30, 2015

	Road	Other Governmental Funds	Total
<u>Assets</u>			
Pooled cash and investments in treasury	\$ 2,929,258	\$ 5,178,877	\$57,280,711
Restricted Assets:			
Cash with fiscal agent	--	--	8,047,206
Imprest cash	50	475	4,812
Accounts receivable	40,358	6,478	859,900
Taxes receivable	--	169,822	1,008,180
Due from other governments	3,801,508	1,431,970	15,482,599
Due from other funds	--	--	9,800
Inventory	692,304	--	807,749
Total Assets	<u>\$ 7,463,478</u>	<u>\$ 6,787,622</u>	<u>\$83,500,957</u>
 <u>Liabilities</u>			
Accounts payable	\$ 1,112,866	\$ 415,841	\$ 7,591,992
Accrued salaries and benefits	139,971	96,098	2,457,338
Due to other funds	--	9,800	9,800
Unearned revenue	--	10,000	5,868,061
Total Liabilities	<u>1,252,837</u>	<u>531,739</u>	<u>15,927,191</u>
 <u>Deferred Inflows of Resources</u>			
Unavailable revenue	1,058,952	651,403	7,983,479
Total Deferred Inflows of Resources	<u>1,058,952</u>	<u>651,403</u>	<u>7,983,479</u>
 <u>Fund Balances</u>			
Nonspendable	692,304	--	807,749
Restricted	4,459,385	5,614,280	24,059,544
Assigned	--	--	19,403,294
Unassigned	--	(9,800)	15,319,700
Total Fund Balances	<u>5,151,689</u>	<u>5,604,480</u>	<u>59,590,287</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,463,478</u>	<u>\$ 6,787,622</u>	<u>\$83,500,957</u>

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



**MENDOCINO COUNTY**

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Position - Governmental Activities  
For the Year Ended June 30, 2015

Fund Balance - total governmental funds (page 14)	\$ 59,590,287
Amounts reported for governmental activities in the statement of net position are different because:	
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	7,983,479
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	105,339,554
Deferred outflows of resources reported in the statement of net position.	51,480,461
Internal service funds are used by the County to charge the cost of insurance, software acquisition and vehicle replacement services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position is:	9,347,002
Deferred inflows of resources reported in the statement of net position.	(34,837,912)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net position.	
Loans payable	(13,415)
Bonds payable	(68,305,000)
Certificates of participation	(21,525,000)
Accrued interest on long-term debt	(1,988,171)
Compensated absences	(4,013,474)
Pension liability	(130,705,221)
Landfill closure/post closure care costs	<u>(21,144,333)</u>
Net position of governmental activities (page 11)	<u>\$ (48,791,743)</u>

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

**MENDOCINO COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

	General	Debt Service	Pension Obligation Bonds	Mental Health Services
<b>Revenues:</b>				
Taxes	\$ 61,359,074	\$ --	\$ --	\$ --
Licenses, permits and franchises	2,548,689	--	--	--
Intergovernmental	72,429,920	31,323	--	21,726,856
Revenue from use of money and property	214,976	13,198	(11,735)	5,062
Fines, forfeitures and penalties	1,712,612	11,200	--	--
Charges for services	11,121,958	--	--	59,997
Other revenues	3,993,194	--	169,826	10,093
<b>Total Revenues</b>	<b>153,380,423</b>	<b>55,721</b>	<b>158,091</b>	<b>21,802,008</b>
<b>Expenditures:</b>				
Current:				
General government	13,734,083	6,410	3,850	--
Public protection	49,338,164	--	--	--
Public ways and facilities	516,028	--	--	--
Health and sanitation	9,232,768	--	--	21,181,029
Public assistance	55,502,701	--	--	--
Education	181,742	--	--	--
Recreation and culture	521,141	--	--	--
Debt service:				
Principal	--	1,046,051	3,940,000	--
Interest	22,772	849,446	3,948,830	--
Capital outlay	2,203,218	--	--	--
<b>Total Expenditures</b>	<b>131,252,617</b>	<b>1,901,907</b>	<b>7,892,680</b>	<b>21,181,029</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,127,806</u>	<u>(1,846,186)</u>	<u>(7,734,589)</u>	<u>620,979</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	587,403	1,685,194	8,148,978	--
Transfers out	<u>(15,223,274)</u>	--	--	<u>(539,991)</u>
<b>Total Other Financing Sources (Uses)</b>	<b>(14,635,871)</b>	<b>1,685,194</b>	<b>8,148,978</b>	<b>(539,991)</b>
<b>Net Changes in Fund Balances</b>	7,491,935	(160,992)	414,389	80,988
Fund Balances, Beginning of Year	<u>27,356,304</u>	<u>2,170,624</u>	<u>6,296,325</u>	<u>5,184,545</u>
Fund Balances, End of Year	<u><u>\$ 34,848,239</u></u>	<u><u>\$ 2,009,632</u></u>	<u><u>\$ 6,710,714</u></u>	<u><u>\$ 5,265,533</u></u>

continued

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

**MENDOCINO COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances (continued)

Governmental Funds

For the Year Ended June 30, 2015

	Road	Other Governmental Funds	Total
<b>Revenues:</b>			
Taxes	\$ 91,000	\$ 1,927,723	\$ 63,377,797
Licenses, permits and franchises	46,661	329,894	2,925,244
Intergovernmental	13,631,392	4,659,628	112,479,119
Revenue from use of money and property	11,741	13,670	246,912
Fines, forfeitures and penalties	46,802	85,481	1,856,095
Charges for services	140,304	298,383	11,620,642
Other revenues	24,783	60,547	4,258,443
Total Revenues	13,992,683	7,375,326	196,764,252
<b>Expenditures:</b>			
Current:			
General government	--	110,188	13,854,531
Public protection	--	1,486,810	50,824,974
Public ways and facilities	19,491,784	43,844	20,051,656
Health and sanitation	--	2,501,600	32,915,397
Public assistance	--	1,549,066	57,051,767
Education	--	2,583,448	2,765,190
Recreation and culture	--	--	521,141
Debt service:			
Principal	--	--	4,986,051
Interest	--	--	4,821,048
Capital outlay	--	30,286	2,233,504
Total Expenditures	19,491,784	8,305,242	190,025,259
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,499,101)	(929,916)	6,738,993
<b>Other Financing Sources (Uses):</b>			
Transfers in	4,360,677	1,408,106	16,190,358
Transfers out	(487,851)	(366,557)	(16,617,673)
Total Other Financing Sources (Uses)	3,872,826	1,041,549	(427,315)
<b>Net Changes in Fund Balances</b>	(1,626,275)	111,633	6,311,678
Fund Balances, Beginning of Year	6,777,964	5,492,847	53,278,609
Fund Balances, End of Year	\$ 5,151,689	\$ 5,604,480	\$ 59,590,287

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

**MENDOCINO COUNTY**

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, 2015

Net change to fund balance - total governmental funds (page 17) \$ 6,311,678

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 11,112,445	
Less current year depreciation	<u>(5,711,998)</u>	
		5,400,447

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.		(400,527)
--	--	-----------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal and refunded debt repayments:		
Bonds payable	3,940,000	
Loans payable	26,056	
Certificates of participation	<u>1,020,000</u>	
		4,986,056

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.

Change in accrued interest on long-term debt	111,294	
Change in compensated absences	34,522	
Change in net pension liability and related deferred inflows/outflows	(9,180,949)	
Change in liability for closure/post closure care	<u>(2,538,838)</u>	
		(11,573,971)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities.		<u>2,442,499</u>
--	--	------------------

Change in net position of governmental activities (page 12)		<u><u>\$ 7,166,182</u></u>
---	--	----------------------------

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

MENDOCINO COUNTY

Statement of Net Position  
Proprietary Funds  
June 30, 2015

	Governmental Activities
	Internal Service Funds
<u>ASSETS</u>	
Current Assets:	
Pooled cash and investments in treasury	\$ 12,331,839
Other cash	54,373
Accounts receivable	10,405
Total Current Assets	<u>12,396,617</u>
Noncurrent Assets:	
Capital assets:	
Depreciable, net	127,636
Total Noncurrent Assets	<u>127,636</u>
Total Assets	<u>12,524,253</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	165,723
Accrued salaries and benefits	20,599
Compensated absences	14,845
Liability for unpaid claims	2,976,084
Total Current Liabilities	<u>3,177,251</u>
Total Liabilities	<u>3,177,251</u>
<u>NET POSITION</u>	
Net Investment in capital assets	127,636
Unrestricted	<u>9,219,366</u>
Total Net Position	<u>\$ 9,347,002</u>

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

**MENDOCINO COUNTY**

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2015

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Charges for services	\$ 19,532,344
Total Operating Revenues	19,532,344
Operating Expenses:	
Salaries and employee benefits	796,142
Services and supplies	10,954,546
Insurance	5,515,937
Depreciation	59,109
Claims and judgments	218,854
Total Operating Expenses	17,544,588
Operating Income (Loss)	1,987,756
Non-Operating Revenues (Expenses):	
Interest income	27,428
Total non-operating revenues (expenses)	27,428
Income (Loss) Before Transfers	2,015,184
Transfers in	790,000
Transfers out	(362,685)
Change in Net Position	2,442,499
Net Position - Beginning of Year	6,904,503
Net Position - End of Year	\$ 9,347,002

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

**MENDOCINO COUNTY**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

	Governmental Activities
	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from interfund services provided	\$ 19,529,335
Cash paid to employees for services	(794,982)
Cash paid to suppliers for goods and services	<u>(16,621,705)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,112,648</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers in	790,000
Transfers out	<u>(362,685)</u>
Net Cash Provided (Used) by Investing Activities	<u>427,315</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(54,535)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(54,535)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received (paid)	<u>27,428</u>
Net Cash Provided (Used) by Investing Activities	<u>27,428</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,512,856
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>9,873,356</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 12,386,212</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 1,987,756
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	59,109
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(3,009)
Increase (decrease) in:	
Accounts payable	34,195
Accrued salaries	2,561
Compensated absences	(1,401)
Claims liability	<u>33,437</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,112,648</u>

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

**COUNTY OF MENDOCINO**

Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

	Investment Trust	Agency Funds	Pension Trust Fund	Private Purpose Trust Fund
<u>Assets</u>				
Cash and investments in treasury	\$ 118,444,000	\$ 15,099,391	\$ 1,398,150	\$ --
Other investments	--	--	442,762,821	--
Accounts receivable	--	--	658,856	--
Taxes receivable	--	11,808,334	--	--
Other assets	--	--	146,739	--
Total Assets	<u>118,444,000</u>	<u>26,907,725</u>	<u>444,966,566</u>	<u>--</u>
<u>Liabilities</u>				
Accounts payable and accrued expenses	--	--	749,210	--
Agency funds held for others	--	26,907,725	--	--
Total Liabilities	<u>--</u>	<u>26,907,725</u>	<u>749,210</u>	<u>--</u>
<u>Net position</u>				
Net position held in trust for:				
Retirement system	--	--	444,217,356	--
Investment pool participants	118,444,000	--	--	--
Total Net Position	<u>\$ 118,444,000</u>	<u>\$ --</u>	<u>\$ 444,217,356</u>	<u>\$ --</u>

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



**COUNTY OF MENDOCINO**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2015

	Investment Trust	Pension Trust Fund	Private Purpose Trust Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Additions</u>			
Contributions:			
Employer contributions	\$ --	\$ 15,164,044	\$ --
Member contributions	--	4,651,960	--
Contributions on pooled investments	410,161,378	--	--
Interest and investment income - net	286,724	13,201,309	--
Total Additions	<u>410,448,102</u>	<u>33,017,313</u>	<u>                    </u>
 <u>Deductions</u>			
Benefit payments	--	30,049,133	--
Distributions from investment pool	402,409,592	--	--
Administrative expense	--	1,059,272	9,798
Total Deductions	<u>402,409,592</u>	<u>31,108,405</u>	<u>9,798</u>
 Change in net position	8,038,510	1,908,908	(9,798)
 Net Position, beginning	<u>110,405,490</u>	<u>442,308,448</u>	<u>9,798</u>
 Net Position, ending	<u><u>\$ 118,444,000</u></u>	<u><u>\$ 444,217,356</u></u>	<u><u>\$ --</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

## **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.

THIS PAGE INTENTIONALLY LEFT BLANK

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2015

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. 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, Lakewood Lighting District, Meadowbrook Manor Sanitation District, Mendocino County Air Quality Management District, and Mendocino County Public Facilities Corporation are districts and a 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.

##### B. Basis of Presentation

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

The government-wide financial statements consist of the statement of net position 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 activities, generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. At June 30, 2015, 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 position is available, unrestricted resources are used only after the restricted resources are depleted.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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

*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. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

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 year 2002-2003.
- The *Road Fund* is a special revenue fund that provides for planning, design, construction, maintenance and administration of County maintained roads. Revenues consist primarily of highway user taxes and other intergovernmental revenues.

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.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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

*Fund Financial Statements* (continued)

- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, 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 *Agency Funds* account for assets held by the County as an agent for various local governments.
- The *Pension Trust Fund* accounts for the pooled cash held in the County Treasury for the Mendocino County Employees' Retirement Association.
- The *Private Purpose Trust Fund* accounts for assets held by the RDA Successor Agency.

C. **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 eligibility 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 financing sources.

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**D. 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, medium term notes, and U.S. Government securities. The securities are stated at amortized cost, which approximates market.

**E. 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.

**F. 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.

**G. Inventories**

Inventories are valued at average cost. 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 nonspendable fund balance to indicate that portion of fund balance is not in spendable form.

**H. Restricted Assets**

The County has \$8,047,206 restricted cash deposited with fiscal agents to meet Certificates of Participation, Pension Obligation Bond and other long-term debt reserve fund requirements.

**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 \$1,262,715 at year end.



COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 1: **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 capital 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 \$5,000 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

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows or resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has one item, pension, which qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of item which qualify for reporting in this category: pensions and unavailable revenue. The item, *unavailable revenue*, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: intergovernmental revenue and charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**L. Pensions**

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the County recognizes a net pension liability, which represents the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Mendocino County Employees' Retirement Association (MCERA).

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Pensions** (continued)

The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the County's pension plan with MCERA and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by MCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

**M. 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.

**N. 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.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**O. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 68

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for periods beginning after June 15, 2014. The principal objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees – both active employees and inactive employees – are provided with pensions. An additional objective is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

Governmental Accounting Standards Board Statement No. 69

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is effective for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

Governmental Accounting Standards Board Statement No. 71

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, is effective for periods beginning after June 15, 2014. This statement addresses the application of contributions made by a state or local government employer on nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**P. Future Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 72

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for periods beginning after June 15, 2015.

Governmental Accounting Standards Board Statement No. 73

GASB Statement No. 73, *Accounting for the Financial Reporting for Pension and Related Assets That are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, is effective for periods beginning after June 15, 2015 except those provisions that address employers and government nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

Governmental Accounting Standards Board Statement No. 74

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is effective for periods beginning after June 15, 2016.

Governmental Accounting Standards Board Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, is effective for periods beginning after June 15, 2017.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Governmental Accounting Standards Board Statement No. 76

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for periods beginning after June 15, 2017.

NOTE 2: **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Deficit Fund Equity

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

<u>Fund</u>	<u>Deficit</u>
Nonmajor Governmental Funds:	
Capital projects	\$ 9,800

The deficit equity balances in the Capital projects is due to costs that exceeded anticipated revenues.

NOTE 3: **CASH AND INVESTMENTS**

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of securing and protecting the public funds of the County and other participants. Funds not immediately required for daily operations are invested in an attempt to earn a yield commensurate to current conditions. 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.

Cash and investments held by fiscal agents outside of the County's investment pool are restricted as to its use. It consists of funds designated by debt agreements as reserve funds.

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 Board of Supervisors reviews and approves the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the investment pool participants every quarter. The report covers the types 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, 2015**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

At June 30, 2015, total County cash and investments were as follows:

*Cash:*

Cash on hand	\$	666,072
Imprest cash		4,812
Deposits less outstanding warrants		25,805,564
Total cash		26,476,448

*Investments:*

In Treasurer's pool		178,136,828
With fiscal agents		8,047,206
With fiscal agents, Pension Trust Fund		442,762,821
Total investments		628,946,855
Total cash and investments	\$	655,423,303

Total cash and investments at June 30, 2015, were presented on the County's financial statements as follows:

Primary government	\$	77,718,941
Investment trust fund		118,444,000
Pension trust fund		444,160,971
Agency funds		15,099,391
Total cash and investments	\$	655,423,303

**Deposits – Custodial Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure the County's cash deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits.

At June 30, 2015, the carrying value of the County's deposits was \$25,751,191 and the bank balance was \$33,893,409. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC) and the remainder was covered by the multiple financial institution collateral pool that insures public deposits.

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

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. The County annually adopts a "Statement of Investment Policy." The policy is based on criteria established by government code and adds further restrictions as to the types of investments allowed, concentration limits and maximum terms.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds and Obligations	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	25%
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit /CD Placement Service	5 years	30%	5%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements		Prohibited	
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	5%
Mortgage Pass-Through Securities	5 years	20%	None
Bank/Time Deposits	5 years	20%	5%
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool (includes CAMP)	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

At June 30, 2015, the difference between the cost and fair values was not material. Therefore, an adjustment to fair value was not made (fair value was 100.11% of carrying value).

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

At June 30, 2015, the County had the following investments:

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Par</u>	<u>Fair Value</u>	<u>Book/Carrying Value</u>	<u>WAM (Years)</u>
<b>Investment Pool</b>						
Asset-Backed Securities	0.19% - 1.08%	7/15/2016 - 2/15/2019	\$ 8,415,729	\$ 8,416,617	\$ 8,416,359	2.75
Federal Agency Obligations	0.13% - 1.62%	8/17/2015 - 11/26/2019	63,421,000	63,487,325	63,372,514	1.82
Treasury Obligations	0.39% - 1.21%	10/31/2015 - 5/31/2019	29,140,000	29,146,919	29,084,770	1.91
Medium Term Corporate Notes	0.53% - 1.54%	10/25/2015 - 3/10/2018	21,500,000	21,629,653	21,608,356	1.62
Time Deposit	0.30% - 0.35%	3/3/2016 - 3/31/2016	500,000	500,000	500,000	0.72
Commercial Paper	0.25% - 0.39%	9/2/2015 - 11/10/2015	2,100,000	2,098,352	2,098,352	0.27
Money Market Mutual Funds	Variable	On Demand	2,056,477	2,056,477	2,056,477	0.00
California Local Agency Investment Fund (LAIF)	Variable	On Demand	50,000,000	50,000,000	50,000,000	0.00
California Asset Management Program	Variable	On Demand	1,000,000	1,000,000	1,000,000	0.00
			<u>178,133,206</u>	<u>178,335,343</u>	<u>178,136,828</u>	
<b>Investments Outside Investment Pool</b>						
<i>Cash held with fiscal agent</i>						
Money Market Mutual Funds	Variable	On Demand	<u>8,047,206</u>	<u>8,044,046</u>	<u>8,047,206</u>	0.00
			<u>\$ 8,047,206</u>	<u>\$ 8,044,046</u>	<u>\$ 8,047,206</u>	
<b>Total Investments</b>			<u>\$ 186,180,412</u>	<u>\$ 186,379,389</u>	<u>\$ 186,184,034</u>	

For information regarding investments held by the Pension Trust refer to the Mendocino County Employees' Retirement Association financial statements which may be obtained by contacting the Retirement office at 625B Kings Court, Ukiah, California, 95482.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County manages its exposure to declines in fair values by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to provide the necessary cash flow and liquidity needed for operations. The County monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law also limits investments in corporate bonds to the rating of A or better by Standard & Poor's and Moody's Investors Service for a maturity of up to five years.

Concentration of Credit Risk

At June 30, 2015, the County held the following percentages and amounts by issuer of its net investment in Federal Agency Obligations: 11.39% (\$20,391,632), Federal National Mortgage Association; 9.47% (\$16,947,049), Federal Home Loan Banks; and 9.07% (\$16,229,605), Federal Home Loan Mortgage Corporation.

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

Concentration of Credit Risk (continued)

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 carrying value at June 30, 2015.

<b>Investments In Investment Pool</b>	<u>S&amp;P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Asset-backed securities	AAA	Aaa	3.28%
Asset-backed securities	AAA	Unrated	1.44%
Federal agency obligations	AA+	Aaa	33.08%
Federal agency obligations	P-1	A-1+	2.52%
Treasury obligations	AA+	Aaa	16.34%
Medium term notes	A+	A2	0.45%
Medium term notes	AA-	A1	1.05%
Medium term notes	AA	Aa2	0.55%
Medium term notes	A+	A1	3.35%
Medium term notes	AA-	Aa3	1.45%
Medium term notes	AA+	Aa1	0.97%
Medium term notes	A	A2	3.16%
Medium term notes	AA+	A1	0.86%
Medium term notes	AA	A1	0.29%
Commercial paper	A-1+	P-1	0.56%
Commercial paper	A-1	P-1	0.62%
Time Deposit	Unrated	Unrated	0.28%
Money market mutual funds	AAA	Aaa	1.15%
California Local Agency Investment Fund State Pool	Unrated	Unrated	28.04%
Public Financial Management CAMP	Unrated	Unrated	0.56%
			<u>100.00%</u>

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 had no securities exposed to custodial credit risk.

Local Agency Investment Fund

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



**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

Local Agency Investment Fund (continued)

Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2015, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$50 million, which approximates fair value and is the same as the value of the pool shares which is determined on an amortized cost basis. The total amount invested by all public agencies in PMIA on that day was \$69.6 billion. Of that amount, 2.08% was invested in structured notes and asset-backed securities with the remaining 97.92% invested in other non-derivative financial products.

County Investment Pool Condensed Financial Statements

The following represents a condensed statement of net position and changes in net position for the investment pool as of June 30, 2015:

**Statement of Net Position**

Net position held for pool participants	<u>\$ 204,554,091</u>
Equity of internal pool participants	\$ 86,110,091
Equity of external pool participants	<u>118,444,000</u>
Total net position	<u>\$ 204,554,091</u>

**Statement of Changes in Net Position**

Net position for pool participants at July 1, 2014	\$ 188,442,403
Net change in investments by pool participants	<u>16,111,688</u>
Net position at June 30, 2015	<u>\$ 204,554,091</u>

**NOTE 4: ENDOWMENTS**

For the year ended June 30, 2015, the net appreciation on investments of donor-restricted endowments was \$3,216. Under local ordinances and State statutes, the County is authorized based on a total-return policy to spend the appreciation on the supplies and maintenance of the community libraries and museums.

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 5: INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2015, are as follows:

***Due from/to other funds:***

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 9,800
		\$ 9,800

The above balances reflect temporary cash advances.

***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	\$ 1,592,904
	Road Fund	4,360,677
	Internal Service Funds	737,665
	Nonmajor Governmental Funds	1,408,106
	Pension Obligation Fund	7,123,922
		15,223,274
Mental Health Services Fund	General Fund	205,525
	Debt Service	92,290
	Pension Obligation Fund	242,176
		539,991
Road Fund	General Fund	59,125
	Pension Obligation Fund	428,726
		487,851
Internal Service Funds	General Fund	240,931
	Internal Service Funds	52,335
	Pension Obligation Fund	69,419
		362,685
Nonmajor Governmental Funds	General Fund	81,822
	Pension Obligation Fund	284,735
		366,557
		\$ 16,980,358

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2015
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 2,921,620	\$ 9,000	\$ (1,999)	\$ --	\$ 2,928,621
Construction in progress	8,850,276	6,565,451	--	(168,796)	15,246,931
<b>Total capital assets, not being depreciated</b>	<b>11,771,896</b>	<b>6,574,451</b>	<b>(1,999)</b>	<b>(168,796)</b>	<b>18,175,552</b>
Capital assets, being depreciated:					
Infrastructure	78,571,502	--	--	23,835	78,595,337
Structures and improvements	72,399,951	1,943,312	(38,093)	210,339	74,515,509
Equipment	28,233,071	2,666,586	(960,648)	--	29,939,009
Improvements other than buildings	5,612,285	--	--	--	5,612,285
<b>Total capital assets, being depreciated</b>	<b>184,816,809</b>	<b>4,609,898</b>	<b>(998,741)</b>	<b>234,174</b>	<b>188,662,140</b>
Less accumulated depreciation for:					
Infrastructure	(34,887,784)	(2,160,348)	--	3	(37,048,129)
Structures and improvements	(36,541,244)	(1,974,941)	--	--	(38,516,185)
Equipment	(21,517,445)	(1,426,580)	960,648	(42,658)	(22,026,035)
Improvements other than buildings	(3,570,915)	(209,238)	--	--	(3,780,153)
<b>Total accumulated depreciation</b>	<b>(96,517,388)</b>	<b>(5,771,107)</b>	<b>960,648</b>	<b>(42,655)</b>	<b>(101,370,502)</b>
<b>Total capital assets, being depreciated, net</b>	<b>88,299,421</b>	<b>(1,161,209)</b>	<b>(38,093)</b>	<b>191,519</b>	<b>87,291,638</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 100,071,317</b>	<b>\$ 5,413,242</b>	<b>\$ (40,092)</b>	<b>\$ 22,723</b>	<b>\$ 105,467,190</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 786,512
Public protection	1,385,686
Public ways and facilities	2,717,226
Health and sanitation	327,206
Public assistance	328,850
Education	99,945
Recreation and culture	66,573
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	59,109
<b>Total Depreciation Expense - Governmental Functions</b>	<b>\$ 5,771,107</b>

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 7: LONG-TERM LIABILITIES**

Individual issues of loans, bonds and certificates of participation outstanding at June 30, 2015, are as follows:

<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, 2015</u>
<b>Loans Payable</b>					
California Energy Commission Loan - 2004	12/22/05-12/22/16	3.95%	\$3,000-\$14,000	\$ 250,000	\$ 13,415
Total Loans Payable				\$ 250,000	\$ 13,415
<b>Taxable Pension Obligation Bonds</b>					
<b>2002 Series</b> (Issued to partially refund the 1996 Series and to meet the net pension obligation of the County's retirement plan)	7/1/04-7/1/26	2.07%-5.77%	\$885,000-\$7,560,000	\$ 91,945,000	\$ 68,305,000
Total Taxable Pension Obligation Bonds				\$ 91,945,000	\$ 68,305,000
<b>Refunding Certificates of Participation</b>					
<b>2012 Series</b> (Issued to refund 2002 and 2000 Series COPs)	7/15/2012 - 7/15/2030	1.00% - 4.30%	\$975,000 - \$1,830,000	\$ 25,810,000	\$ 21,525,000
Total Certificates of Participation				\$ 25,810,000	\$ 21,525,000

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

The following is a summary of long-term liabilities transactions for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Refunding certificates of participation	\$ 22,545,000	\$ --	\$ (1,020,000)	\$ 21,525,000	\$ 1,045,000
Bonds payable	72,245,000	--	(3,940,000)	68,305,000	4,155,000
Loans payable	39,471	--	(26,056)	13,415	13,415
Compensated absences	4,064,242	--	(35,923)	4,028,319	4,028,319
Liability for self-insurance	2,942,647	10,460,633	(10,427,196)	2,976,084	2,976,084
Landfill postclosure costs	18,605,495	2,538,838	--	21,144,333	--
Total Governmental Activities	\$ 120,441,855	\$ 12,999,471	\$ (15,449,175)	\$ 117,992,151	\$ 12,217,818

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 7: LONG-TERM LIABILITIES (CONTINUED)**

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

As of June 30, 2015, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30:	Governmental Activities					
	Certificates of Participation		Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,045,000	\$ 817,534	\$ 4,155,000	\$ 3,725,408	\$ 13,415	\$ 266
2017	1,085,000	786,184	4,385,000	3,489,704	--	--
2018	1,115,000	753,636	4,630,000	3,240,890	--	--
2019	1,150,000	717,398	4,885,000	2,978,276	--	--
2020	1,190,000	677,148	5,155,000	2,701,172	--	--
2021-2025	7,490,000	2,673,012	30,385,000	8,326,151	--	--
2026-2030	8,450,000	1,087,544	14,710,000	1,284,980	--	--
	<u>\$21,525,000</u>	<u>\$7,512,456</u>	<u>\$68,305,000</u>	<u>\$25,746,581</u>	<u>\$ 13,415</u>	<u>\$ 266</u>

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 revenue funds, and other internal service funds.

**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.

**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 \$4,028,319. The entire amount was considered current, based on experience.

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 8: 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 \$21,144,333 reported as landfill closure/postclosure liability at June 30, 2015, 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 2015. 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, 2015</u>
Caspar Landfill	Mendocino County/ City of Fort Bragg	100%	Closed	\$ 3,264,942
South Coast Landfill	Mendocino County	100%	Closed	11,409,628
Laytonville Landfill	Mendocino County	100%	Closed	<u>6,469,763</u>
				<u>\$ 21,144,333</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, 2015, investments of \$3,214,662 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.

Casper Landfill is officially closed. The County is in the process of closing South Coast Landfill and Laytonville Landfill and they are no longer accepting waste from the public.

**NOTE 9: NET POSITION/FUND BALANCES**

**Net Position**

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

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

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 9: **NET POSITION/FUND BALANCES** (CONTINUED)

**Net Position** (continued)

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

**Fund Balances**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds consist of the following categories:

- *Nonspendable Fund Balance* – includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact (such as inventories or prepaid amounts).
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external parties (such as creditors, grant providers, or contributors) or by law.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purpose determined by the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action. The formal action must occur prior to the end of the reporting period. The amount which will be subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance* – is comprised of amounts intended to be used by the government entity for specific purposes that are neither restricted nor committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority. Assigned fund balance can be used to eliminate a projected budgetary deficit in the subsequent year's budget.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purposes.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

**NOTE 9: NET POSITION/FUND BALANCES (CONTINUED)**

**Fund Balances** (continued)

The following is a summary of fund balances at June 30, 2015:

	General	Debt Service	Pension Obligation Bonds	Mental Health Services	Road	Other Governmental Funds	Total
Nonspendable							
Inventory	\$ 115,445	\$ --	\$ --	\$ --	\$ 692,304	\$ --	\$ 807,749
Restricted for:							
Road projects	--	--	--	--	4,459,385	--	4,459,385
Mental health	--	--	--	5,265,533	--	--	5,265,533
Special districts	--	--	--	--	--	1,754,171	1,754,171
Various grant programs	--	--	--	--	--	2,756,554	2,756,554
Endowments	--	--	--	--	--	1,103,555	1,103,555
Debt service	--	2,009,632	6,710,714	--	--	--	8,720,346
Total Restricted	--	2,009,632	6,710,714	5,265,533	4,459,385	5,614,280	24,059,544
Assigned:							
Retirement	1,500,000	--	--	--	--	--	1,500,000
General reserve	10,030,000	--	--	--	--	--	10,030,000
Contracted services	7,873,294	--	--	--	--	--	7,873,294
Total Assigned	19,403,294	--	--	--	--	--	19,403,294
Unassigned	15,329,500	--	--	--	--	(9,800)	15,319,700
Total Fund Balance	\$ 34,848,239	\$ 2,009,632	\$ 6,710,714	\$ 5,265,533	\$ 5,151,689	\$ 5,604,480	\$ 59,590,287

**NOTE 10: PENSION PLANS**

**Summary of Significant Accounting Policies**

**Pensions** – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's defined benefit pension plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Mendocino County Employees' Retirement Association (MCERA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A. General Information about the Pension Plans**

**Plan Descriptions** – The Mendocino County Employees' 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, two members are elected by county retirees, one alternate, and one member is the County Treasurer who is an ex-officio board member and administrator of the retirement system.



COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 10: **PENSION PLANS** (CONTINUED)

A. **General Information about the Pension Plans** (continued)

**Benefits Provided** – MCERA provides service retirement, disability, death and survivor benefits to eligible employees. All permanent employees of the County of Mendocino or contracting districts who work at least 32 hours per week become members of MCERA effective on the first day of the pay period following employment. There are separate retirement plans for General, Safety, and Probation member employees. Any new employees who become members on or after January 1, 2013 are subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service. General members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

Safety and Probation members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service. Safety and Probation members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 50, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General member benefits are calculated pursuant to the provisions of Section 31676.121. The monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times the age factor from Section 31676.12. General member benefits for those who are first hired on or after January 1, 2013 are calculated pursuant to the provision of California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety member benefits are calculated pursuant to the provisions of Section 31664.2. The monthly allowance is equal to 3% of final compensation times years of accrued retirement service credit times the age factor from Section 31664.2. Safety member benefits for those who are first hired on or after January 1, 2013 are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

Probation member benefits are calculated pursuant to the provisions of Section 31664. The monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times the age factor from Section 31664.

Probation member benefits for those who are first hired on or after January 1, 2013 are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 10: **PENSION PLANS** (CONTINUED)

A. **General Information about the Pension Plans** (continued)

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation.

Final average compensation consists of the highest 12 consecutive months of pay for a General Tier 1, Safety Tier 1, or Probation Tier 1 member, and the highest 36 consecutive months for all other members.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

MCERA provides an annual cost-of-living benefit to all non-PEPRA retirees. The cost-of-living adjustment, based upon the Consumer Price Index prepared by the Bureau of Labor Statistics that applies to the Mendocino County Area, is capped at 3.0%.

The County of Mendocino and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from MCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 26.62% of compensation.

All members are required to make contributions to MCERA regardless of the retirement plan or tier in which they are included; however, non-PEPRA members with 30 or more years of service are exempt from paying member contributions. The average member contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 8.50% of compensation.

**Contributions** – The actuarially determined member contribution rates payable for fiscal year 2015-16 average 10.15 percent of payroll. The actual member rate depends on the member's age at the time of hire, General, Safety, or Probation membership, and tier. For fiscal year 2015-16, employers are also required to contribute an actuarially determined rate of 33.38 percent of payroll in aggregate. The actual employer rate depends on General, Safety, or Probation membership, and tier. The member and employer contribution rates are adjusted annually to maintain the appropriate funding status of the Plan. The employer contribution rate is actuarially determined to provide for the balance of the contributions needed to fund the annual normal cost (basic and cost of living) and the amortization of the unfunded actuarial accrued liability.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was as follows:

Contributions - employer	<u>\$ 13,530,998</u>
--------------------------	----------------------

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

NOTE 10: **PENSION PLANS** (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2015, the County reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Total Net Pension Liability	<u>\$ 130,705,221</u>

The County's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The County's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	92.782%
Proportion - June 30, 2015	<u>91.968%</u>
Change - Increase (Decrease)	-0.814%

For the year ended June 30, 2015, the County recognized net pension expense of \$9,180,950. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (5,090,802)
Changes in assumptions	37,949,463	--
Net difference between projected and actual earnings on pension plan investments	--	(28,719,680)
Changes in proportion and differences between County's Contributions and proportionate share of contributions	--	(1,027,430)
County's contributions subsequent to the measurement date	13,530,998	--
	<u>\$ 51,480,461</u>	<u>\$ (34,837,912)</u>

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

NOTE 10: **PENSION PLANS** (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions** (continued)

The County reported \$13,530,998 deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

2016	\$	5,973,482
2017		5,973,482
2018		(1,655,494)
2019		(7,179,919)
		\$ 3,111,551

*Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:*

Valuation Date		June 30, 2014
Measurement Date		June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate		7.25%
Inflation		3.25%
Payroll Growth		3.0%
Projected Salary Increase	4.25% - 8.75% (1)	
Investment Rate of Return		7.25% (2)
		RP-2000
		Combined
		Healthy Mortality
		Table projected
Mortality		with Scale BB to
		2020, set back
		one year for
		males and with
		no setback for
		females

(1) Depending on age, service and type of employment  
(2) Net of pension plan investment expenses, including inflation

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

NOTE 10: **PENSION PLANS** (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions** (continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.25% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	25.0%	6.85%
Domestic Fixed Income	28.0%	0.71%
U.S. Large Cap Equity	26.2%	5.86%
U.S. Small Cap Equity	11.8%	6.56%
Real Estate	9.0%	4.76%
Total	<u>100.0%</u>	

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following presents the County's proportionate share of the net pension liability for the Plan, calculated using the discount rate for each Plan, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 10: **PENSION PLANS** (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions** (continued)

1% Decrease		6.25%
Net Pension Liability	\$	202,034,004
Current Discount Rate		7.25%
Net Pension Liability	\$	130,705,221
1% Increase		8.25%
Net Pension Liability	\$	72,023,093

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued MCERA financial report.

NOTE 11: **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, 2015, 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.

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

NOTE 11: **CONTINGENCIES** (CONTINUED)

**C. Teeter Obligation**

At the time Mendocino County opted into the Teeter Plan, the property tax delinquency amounted to \$5.4 million. This amount was paid to all taxing jurisdictions with funds borrowed from the County Treasury. The payments on this note were to be made from collections of the delinquent taxes, along with penalties and interest thereon. Instead, a portion of the delinquent tax revenues were applied to the County's general fund, with periodic payments made when funds were available. This practice caused the balance owing on the Teeter obligation to increase over the years with the addition of each year's tax delinquency, although the interest on the balance has been paid annually. To reflect the Teeter obligation of the County in the financial statements in prior years, the County reported an advance between the General Fund and the Tax Resources Fund equal to the net balance of deficit cash in the Teeter Funds less the receivable for tax delinquencies.

In recent years the County has been making accelerated payments on the Teeter obligation, causing the receivable for tax delinquencies to exceed the net balance of deficit cash in the Teeter funds as shown below, thus eliminating the advance between the General Fund and the Tax Resources Fund.

	<u>June 30, 2015</u>
Negative cash in tax resources fund	\$ (1,192,179)
Less:	
Positive cash in tax loss reserve fund	1,262,715
Receivable: Secured taxes	10,565,935
Receivable: Penalties and interest	<u>1,242,399</u>
Excess receivables over net cash deficit	<u><u>\$ 11,878,870</u></u>

The County has paid its Teeter obligation in full as of June 30, 2015.

NOTE 12: **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 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:

**A. Unemployment Insurance**

The County is fully self-insured for this program. The estimated claims liability at fiscal year-end was \$428,533.

**COUNTY OF MENDOCINO**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015**

NOTE 12: **RISK MANAGEMENT** (CONTINUED)

**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, 2015, 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 \$1,066,302 includes incurred but not reported claims.

**C. Workers' Compensation**

The County 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 Keenan Associates 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 \$1,481,249.

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

	<u>Unemployment Insurance</u>	<u>General Liability</u>	<u>Health Insurance</u>	<u>Total</u>
Claims liability, July 1, 2013	\$ 390,181	\$ 1,049,716	\$ 1,560,569	\$ 3,000,466
Current year claims and changes in estimates	235,470	27,307	11,027,955	11,290,732
Claims payments	<u>(198,926)</u>	<u>(182,655)</u>	<u>(10,966,970)</u>	<u>(11,348,551)</u>
Claims liability, June 30, 2014	<u>\$ 426,725</u>	<u>\$ 894,368</u>	<u>\$ 1,621,554</u>	<u>\$ 2,942,647</u>
Claims liability, July 1, 2014	\$ 426,725	\$ 894,368	\$ 1,621,554	\$ 2,942,647
Current year claims and changes in estimates	219,261	390,788	9,850,584	10,460,633
Claims payments	<u>(217,453)</u>	<u>(218,854)</u>	<u>(9,990,889)</u>	<u>(10,427,196)</u>
Claims liability, June 30, 2015	<u>\$ 428,533</u>	<u>\$ 1,066,302</u>	<u>\$ 1,481,249</u>	<u>\$ 2,976,084</u>



COUNTY OF MENDOCINO

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2015

NOTE 13: **RESTATEMENT OF FUND BALANCE/NET POSITION**

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

The restatement of beginning net position of the government activities is summarized below:

	<u>Governmental Activities</u>
Net position as of June 30, 2014, as previously reported	<u>\$ 79,979,424</u>
<u>Implementation of New Accounting Standards - GASB Statement Nos. 68 and 71</u>	
Net pension liability adjustment - beginning balance	(104,881,723)
Net pension liability adjustment - reversal of net pension asset	<u>(31,055,626)</u>
Total prior period adjustment	<u>(135,937,349)</u>
Net position as of July 1, 2014, restated	<u><u>\$ (55,957,925)</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK

## **REQUIRED SUPPLEMENTARY INFORMATION**

THIS PAGE INTENTIONALLY LEFT BLANK

**COUNTY OF MENDOCINO**

Required Supplementary Information  
For the Year Ended June 30, 2015

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Last 10 Fiscal Years\*

	<u>6/30/2014</u>
County's proportion of the net pension liability	91.97%
County's proportionate share of the net pension liability	\$ 130,705,221
County's covered-employee payroll	\$ 50,778,344
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	257.4%
Plan's fiduciary net position	\$ 442,308,448
Plan fiduciary net position as a percentage of the total pension liability	75.68%

**Notes to schedule:**

Valuation Date: June 30, 2014

\*Fiscal year 2015 was the 1<sup>st</sup> year of implementation. Additional years will be presented as they become available.

**SCHEDULE OF THE COUNTY'S CONTRIBUTIONS**

Last 10 Fiscal Years\*

	<u>6/30/2014</u>
Actuarially determined contribution	\$ 13,196,530
Contributions related to the actuarially determined contribution	13,196,530
Contribution deficiency (excess)	<u>\$ -</u>
County's covered-employee payroll	\$ 50,778,344
Contributions as a percentage of covered-employee payroll	25.99%

\*Fiscal year 2015 was the 1st year of implementation. Additional years will be presented as they become available.

**Notes to schedule:**

Valuation Date: June 30, 2014

\*Fiscal year 2015 was the 1<sup>st</sup> year of implementation. Additional years will be presented as they become available.

**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 63,604,807	\$ 63,604,807	\$ 65,518,464	\$ 1,913,657
Licenses and permits	2,562,459	2,562,459	2,548,689	(13,770)
Fines, forfeits and penalties	1,745,019	1,870,019	1,712,612	(157,407)
Revenue from use of money and property	266,678	266,678	198,426	(68,252)
Intergovernmental	83,358,275	83,964,038	72,339,509	(11,624,529)
Charges for services	9,713,700	10,101,236	10,309,404	208,168
Other revenue	1,093,637	1,101,912	3,847,967	2,746,055
Total Revenues	<u>162,344,575</u>	<u>163,471,149</u>	<u>156,475,071</u>	<u>(6,996,078)</u>
Expenditures:				
Current:				
General government	16,092,153	16,234,161	14,742,035	1,492,126
Public protection	54,153,086	54,940,284	53,008,081	1,932,203
Public way and facilities	1,623,463	1,625,152	516,028	1,109,124
Health and sanitation	12,831,559	13,586,234	9,224,420	4,361,814
Public assistance	67,860,373	67,874,671	57,404,244	10,470,427
Education	201,217	201,217	189,911	11,306
Recreation and cultural services	487,450	487,450	424,009	63,441
Debt Service:				
Principal	6,313,589	6,313,589	4,159,390	2,154,199
Interest and fiscal charges	60,000	60,000	22,772	37,228
Total Expenditures	<u>159,622,890</u>	<u>161,322,758</u>	<u>139,690,890</u>	<u>21,631,868</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,721,685</u>	<u>2,148,391</u>	<u>16,784,181</u>	<u>14,635,790</u>
Other Financing Sources (Uses):				
Transfers in	817,208	817,208	467,106	(350,102)
Transfers out	(10,444,623)	(10,554,648)	(8,089,352)	2,465,296
Total Other Financing Sources (Uses)	<u>(9,627,415)</u>	<u>(9,737,440)</u>	<u>(7,622,246)</u>	<u>2,115,194</u>
Net Change in Fund Balances	(6,905,730)	(7,589,049)	9,161,935	16,750,984
Budgetary Fund Balances - Beginning of Year	<u>22,072,725</u>	<u>22,072,725</u>	<u>22,072,725</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 15,166,995</u>	<u>\$ 14,483,676</u>	<u>\$ 31,234,660</u>	<u>\$ 16,750,984</u>

continued

**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule (continued)  
General Fund  
For the Year Ended June 30, 2015

Reconciliation to the statement of revenues, expenditures and changes in fund balance

Total revenues from the budgetary comparison schedule:	\$ 156,475,071
Revenues from funds combined with the General Fund, previously reported as special revenue funds prior to implementation of GASB 54	1,064,742
The County budgets transfers to the Tax Resources Fund as a debt service expenditure, but reports a portion of the disbursement as a reduction of the taxes revenue.	<u>(4,159,390)</u>
Total revenues from the statement of revenues, expenditures and changes in fund balance - General Fund	<u>\$ 153,380,423</u>
Total expenditures from the budgetary comparison schedule:	\$ 139,690,890
The County budgets transfers to the Pension Obligation Fund as functional expenditures.	(7,123,922)
Expenditures from funds combined with the General Fund, previously reported as special revenue funds prior to implementation of GASB 54	2,845,039
The County budgets transfers to the Tax Resources Fund as a debt service expenditure, but reports the disbursement as a reduction of taxes revenue.	<u>(4,159,390)</u>
Total expenditures from the statement of revenues, expenditures and changes in fund balance - General Fund	<u>\$ 131,252,617</u>

**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
Mental Health Services Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ (28,701)	\$ (28,701)	\$ 5,062	\$ 33,763
Intergovernmental	21,351,143	21,376,378	21,726,856	350,478
Charges for services	15,000	15,000	59,997	44,997
Other revenues	--	--	10,093	10,093
Total Revenues	<u>21,337,442</u>	<u>21,362,677</u>	<u>21,802,008</u>	<u>439,331</u>
Expenditures:				
Current:				
Health and sanitation	<u>23,384,622</u>	<u>23,409,857</u>	<u>21,181,029</u>	<u>2,228,828</u>
Total Expenditures	<u>23,384,622</u>	<u>23,409,857</u>	<u>21,181,029</u>	<u>2,228,828</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,047,180)</u>	<u>(2,047,180)</u>	<u>620,979</u>	<u>2,668,159</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	<u>(297,813)</u>	<u>(297,813)</u>	<u>(539,991)</u>	<u>(242,178)</u>
Total Other Financing Sources (Uses)	<u>(297,813)</u>	<u>(297,813)</u>	<u>(539,991)</u>	<u>(242,178)</u>
Net Change in Fund Balances	(2,344,993)	(2,344,993)	80,988	2,425,981
Fund Balances - Beginning of Year	<u>5,184,545</u>	<u>5,184,545</u>	<u>5,184,545</u>	<u>--</u>
Fund Balances - End of Year	<u>\$ 2,839,552</u>	<u>\$ 2,839,552</u>	<u>\$ 5,265,533</u>	<u>\$ 2,425,981</u>



**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
Road Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 87,000	\$ 87,000	\$ 91,000	\$ 4,000
Licenses, permits and franchises	47,000	47,000	46,661	(339)
Revenue from use of money and property	15,000	15,000	11,741	(3,259)
Fines, forfeitures and penalties	50,000	50,000	46,802	(3,198)
Intergovernmental	13,390,316	13,390,316	13,631,392	241,076
Charges for services	100,000	100,000	140,304	40,304
Other revenues	5,500	5,500	24,783	19,283
Total Revenues	<u>13,694,816</u>	<u>13,694,816</u>	<u>13,992,683</u>	<u>297,867</u>
Expenditures:				
Current:				
Public ways and facilities	<u>22,365,012</u>	<u>22,998,882</u>	<u>19,491,784</u>	<u>3,507,098</u>
Total Expenditures	<u>22,365,012</u>	<u>22,998,882</u>	<u>19,491,784</u>	<u>3,507,098</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,670,196)</u>	<u>(9,304,066)</u>	<u>(5,499,101)</u>	<u>3,804,965</u>
Other Financing Sources (Uses):				
Transfers in	4,356,105	4,356,105	4,360,677	4,572
Transfers out	<u>(142,554)</u>	<u>(142,554)</u>	<u>(487,851)</u>	<u>(345,297)</u>
Total Other Financing Sources (Uses)	<u>4,213,551</u>	<u>4,213,551</u>	<u>3,872,826</u>	<u>(340,725)</u>
Net Change in Fund Balances	(4,456,645)	(5,090,515)	(1,626,275)	3,464,240
Fund Balances - Beginning of Year	<u>6,777,964</u>	<u>6,777,964</u>	<u>6,777,964</u>	<u>--</u>
Fund Balances - End of Year	<u>\$ 2,321,319</u>	<u>\$ 1,687,449</u>	<u>\$ 5,151,689</u>	<u>\$ 3,464,240</u>

## COUNTY OF MENDOCINO

Required Supplementary Information  
For the Year Ended June 30, 2015

### **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. Unencumbered appropriations lapse at year-end.

Budgets are adopted for the general fund, debt service funds and most special revenue funds. Accounting principles applied for purposes of developing data on a budgetary basis are materially the same as those used to present financial statements in conformity with GAAP.

## **SUPPLEMENTAL INFORMATION**

THIS PAGE INTENTIONALLY LEFT BLANK

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

	Special Revenue			Supplemental Law Enforcement
	Library	Fish and Game	Special Aviation	
<u>Assets</u>				
Cash and investments in County Treasury	\$ 1,535,532	\$ 144,857	\$ 140,060	\$ 130,455
Imprest Cash	275	--	--	--
Accounts receivable	1,820	--	--	--
Taxes receivable	169,822	--	--	--
Due from other governmental agencies	286,300	--	--	--
Total Assets	<u>\$ 1,993,749</u>	<u>\$ 144,857</u>	<u>\$ 140,060</u>	<u>\$ 130,455</u>
<u>Liabilities</u>				
Accounts payable	\$ 74,431	\$ 20,697	\$ --	\$ --
Accrued salaries and benefits	41,973	--	--	2,210
Due to other funds	--	--	--	--
Unearned revenue	--	--	10,000	--
Total Liabilities	<u>116,404</u>	<u>20,697</u>	<u>10,000</u>	<u>2,210</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	--	--	--	--
<u>Fund Balance</u>				
Restricted	1,877,345	124,160	130,060	128,245
Unassigned	--	--	--	--
Total Fund Balances	<u>1,877,345</u>	<u>124,160</u>	<u>130,060</u>	<u>128,245</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,993,749</u>	<u>\$ 144,857</u>	<u>\$ 140,060</u>	<u>\$ 130,455</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2015

	Special Revenue			
	COPS AB 1913	Sheriff Special Projects	Recorder Modernization	Micrographics
<u>Assets</u>				
Cash and investments in County Treasury	\$ 168,675	\$ 8,659	\$ 92,940	\$ 2,120
Imprest Cash	--	--	--	--
Accounts receivable	--	--	663	116
Taxes receivable	--	--	--	--
Due from other governmental agencies	25,948	--	--	--
Total Assets	<u>\$ 194,623</u>	<u>\$ 8,659</u>	<u>\$ 93,603</u>	<u>\$ 2,236</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ 5,049	\$ --	\$ 502
Accrued salaries and benefits	--	--	--	1,734
Due to other funds	--	--	--	--
Unearned revenue	--	--	--	--
Total Liabilities	<u>--</u>	<u>5,049</u>	<u>--</u>	<u>2,236</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Fund Balance</u>				
Restricted	194,623	3,610	93,603	--
Unassigned	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Fund Balances	<u>194,623</u>	<u>3,610</u>	<u>93,603</u>	<u>--</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 194,623</u>	<u>\$ 8,659</u>	<u>\$ 93,603</u>	<u>\$ 2,236</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2015

	Special Revenue		
	Miscellaneous Grants	Special Districts Lighting	Special Districts Other
<u>Assets</u>			
Cash and investments in County Treasury	\$ 68,839	\$ 366,702	\$ 1,416,483
Imprest Cash	--	--	200
Accounts receivable	3,879	--	--
Taxes receivable	--	--	--
Due from other governmental agencies	1,072,188	--	47,534
Total Assets	\$ 1,144,906	\$ 366,702	\$ 1,464,217
<u>Liabilities</u>			
Accounts payable	\$ 254,978	\$ 3,545	\$ 56,639
Accrued salaries and benefits	33,617	--	16,564
Due to other funds	--	--	--
Unearned revenue	--	--	--
Total Liabilities	288,595	3,545	73,203
<u>Deferred Inflows of Resources</u>			
Unavailable revenue	651,403	--	--
<u>Fund Balance</u>			
Restricted	204,908	363,157	1,391,014
Unassigned	--	--	--
Total Fund Balances	204,908	363,157	1,391,014
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,144,906	\$ 366,702	\$ 1,464,217

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2015

	<u>Capital Projects</u>	<u>Permanent Fund</u>	
	<u>Capital Projects</u>	<u>Endowment Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments in County Treasury	\$ --	\$ 1,103,555	\$ 5,178,877
Imprest Cash	--	--	475
Accounts receivable	--	--	6,478
Taxes receivable	--	--	169,822
Due from other governmental agencies	--	--	1,431,970
Total Assets	<u>\$ --</u>	<u>\$ 1,103,555</u>	<u>\$ 6,787,622</u>
<u>Liabilities</u>			
Accounts payable	\$ --	\$ --	\$ 415,841
Accrued salaries and benefits	--	--	96,098
Due to other funds	9,800	--	9,800
Unearned revenue	--	--	10,000
Total Liabilities	<u>9,800</u>	<u>--</u>	<u>531,739</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue	--	--	651,403
<u>Fund Balance</u>			
Restricted	--	1,103,555	5,614,280
Unassigned	(9,800)	--	(9,800)
Total Fund Balances	<u>(9,800)</u>	<u>1,103,555</u>	<u>5,604,480</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ --</u>	<u>\$ 1,103,555</u>	<u>\$ 6,787,622</u>



**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	Special Revenue			
	Library	Fish and Game	Special Aviation	Supplemental Law Enforcement
Revenues:				
Taxes	\$ 1,722,745	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Aid from other governmental agencies	2,735	--	20,000	151,865
Revenue from use of money and property	5,156	428	--	228
Fines, forfeitures and penalties	--	26,732	--	--
Charges for services	62,225	--	--	--
Other revenue	12,991	--	--	--
Total Revenues	<u>1,805,852</u>	<u>27,160</u>	<u>20,000</u>	<u>152,093</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	43,325	--	70,899
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	2,583,448	--	--	--
Capital outlay	--	--	--	--
Total Expenditures	<u>2,583,448</u>	<u>43,325</u>	<u>--</u>	<u>70,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(777,596)</u>	<u>(16,165)</u>	<u>20,000</u>	<u>81,194</u>
Other Financing Sources (Uses):				
Transfers in	1,231,003	--	--	--
Transfers out	<u>(172,094)</u>	--	<u>(20,000)</u>	<u>(7,811)</u>
Total Other Financing Sources (Uses)	<u>1,058,909</u>	<u>--</u>	<u>(20,000)</u>	<u>(7,811)</u>
Net Change in Fund Balances	281,313	(16,165)	--	73,383
Fund Balances - Beginning of Year	<u>1,596,032</u>	<u>140,325</u>	<u>130,060</u>	<u>54,862</u>
Fund Balances - End of Year	<u>\$ 1,877,345</u>	<u>\$ 124,160</u>	<u>\$ 130,060</u>	<u>\$ 128,245</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	Special Revenue			
	COPS AB 1913	Sheriff Special Projects	Recorder Modernization	Micrographics
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Aid from other governmental agencies	248,696	--	--	--
Revenue from use of money and property	850	76	276	(50)
Fines, forfeitures and penalties	--	--	--	--
Charges for services	--	61,953	33,048	57,108
Other revenue	--	24,404	--	17,893
<b>Total Revenues</b>	<b>249,546</b>	<b>86,433</b>	<b>33,324</b>	<b>74,951</b>
Expenditures:				
Current:				
General government	--	--	40,462	69,726
Public protection	277,799	128,006	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Capital outlay	--	--	--	--
<b>Total Expenditures</b>	<b>277,799</b>	<b>128,006</b>	<b>40,462</b>	<b>69,726</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,253)</u>	<u>(41,573)</u>	<u>(7,138)</u>	<u>5,225</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	--	--	--	(5,177)
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(5,177)</u>
Net Change in Fund Balances	(28,253)	(41,573)	(7,138)	48
Fund Balances - Beginning of Year	<u>222,876</u>	<u>45,183</u>	<u>100,741</u>	<u>(48)</u>
Fund Balances - End of Year	<u>\$ 194,623</u>	<u>\$ 3,610</u>	<u>\$ 93,603</u>	<u>\$ --</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	Special Revenue		
	Miscellaneous Grants	Special Districts Lighting	Special Districts Other
Revenues:			
Taxes	\$ --	\$ 70,012	\$ 134,966
Licenses, permits and franchises	--	--	329,894
Aid from other governmental agencies	3,517,520	672	687,855
Revenue from use of money and property	--	--	3,645
Fines, forfeitures and penalties	39,546	--	19,203
Charges for services	--	--	84,049
Other revenue	1,584	--	3,675
Total Revenues	<u>3,558,650</u>	<u>70,684</u>	<u>1,263,287</u>
Expenditures:			
Current:			
General government	--	--	--
Public protection	834,541	--	132,240
Public ways and facilities	--	43,844	--
Health and sanitation	1,729,910	--	771,690
Public assistance	1,549,066	--	--
Education	--	--	--
Capital outlay	--	--	--
Total Expenditures	<u>4,113,517</u>	<u>43,844</u>	<u>903,930</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(554,867)</u>	<u>26,840</u>	<u>359,357</u>
Other Financing Sources (Uses):			
Transfers in	177,103	--	--
Transfers out	(113,546)	--	(47,929)
Total Other Financing Sources (Uses)	<u>63,557</u>	<u>--</u>	<u>(47,929)</u>
Net Change in Fund Balances	(491,310)	26,840	311,428
Fund Balances - Beginning of Year	<u>696,218</u>	<u>336,317</u>	<u>1,079,586</u>
Fund Balances - End of Year	<u>\$ 204,908</u>	<u>\$ 363,157</u>	<u>\$ 1,391,014</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	<u>Capital Projects</u>	<u>Permanent Fund</u>	
	<u>Capital Projects</u>	<u>Endowment Funds</u>	<u>Total</u>
Revenues:			
Taxes	\$ --	\$ --	\$ 1,927,723
Licenses, permits and franchises	--	--	329,894
Aid from other governmental agencies	30,285	--	4,659,628
Revenue from use of money and property	(155)	3,216	13,670
Fines, forfeitures and penalties	--	--	85,481
Charges for services	--	--	298,383
Other revenue	--	--	60,547
Total Revenues	<u>30,130</u>	<u>3,216</u>	<u>7,375,326</u>
Expenditures:			
Current:			
General government	--	--	110,188
Public protection	--	--	1,486,810
Public ways and facilities	--	--	43,844
Health and sanitation	--	--	2,501,600
Public assistance	--	--	1,549,066
Education	--	--	2,583,448
Capital outlay	30,286	--	30,286
Total Expenditures	<u>30,286</u>	<u>--</u>	<u>8,305,242</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(156)</u>	<u>3,216</u>	<u>(929,916)</u>
Other Financing Sources (Uses):			
Transfers in	--	--	1,408,106
Transfers out	--	--	(366,557)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>1,041,549</u>
Net Change in Fund Balances	(156)	3,216	111,633
Fund Balances - Beginning of Year	<u>(9,644)</u>	<u>1,100,339</u>	<u>5,492,847</u>
Fund Balances - End of Year	<u>\$ (9,800)</u>	<u>\$ 1,103,555</u>	<u>\$ 5,604,480</u>

**COUNTY OF MENDOCINO**

Combining Statement of Net Position  
Internal Service Funds  
June 30, 2015

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>
<u>Assets</u>				
Current Assets:				
Pooled cash and investments in county treasury	\$ 1,085,555	\$ 226,746	\$ 435,939	\$ 1,727,861
Other cash	--	--	--	--
Accounts receivable	--	--	--	--
Total Current Assets	<u>1,085,555</u>	<u>226,746</u>	<u>435,939</u>	<u>1,727,861</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	--	127,636	--	--
Total noncurrent assets	--	<u>127,636</u>	--	--
Total Assets	<u>1,085,555</u>	<u>354,382</u>	<u>435,939</u>	<u>1,727,861</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	--	--	--	58,443
Accrued salaries and benefits	--	--	--	4,901
Compensated absences payable	--	--	--	5,992
Liability for unpaid claims	--	--	428,533	1,066,302
Total current liabilities	--	--	<u>428,533</u>	<u>1,135,638</u>
Total Liabilities	--	--	<u>428,533</u>	<u>1,135,638</u>
<u>Net Position</u>				
Net investment in capital assets	--	127,636	--	--
Unrestricted	<u>1,085,555</u>	<u>226,746</u>	<u>7,406</u>	<u>592,223</u>
Total Net Position	<u>\$ 1,085,555</u>	<u>\$ 354,382</u>	<u>\$ 7,406</u>	<u>\$ 592,223</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Net Position (continued)  
Internal Service Funds  
June 30, 2015

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
<u>Assets</u>				
Current Assets:				
Pooled cash and investments in county treasury	\$ 272,670	\$ 8,583,068	\$ --	\$ 12,331,839
Other cash	--	54,373	--	54,373
Accounts receivable	--	10,405	--	10,405
Total Current Assets	<u>272,670</u>	<u>8,647,846</u>	<u>--</u>	<u>12,396,617</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	--	--	--	127,636
Total noncurrent assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>127,636</u>
Total Assets	<u>272,670</u>	<u>8,647,846</u>	<u>--</u>	<u>12,524,253</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	25,384	81,896	--	165,723
Accrued salaries and benefits	5,389	10,309	--	20,599
Compensated absences payable	5,008	3,845	--	14,845
Liability for unpaid claims	--	1,481,249	--	2,976,084
Total current liabilities	<u>35,781</u>	<u>1,577,299</u>	<u>--</u>	<u>3,177,251</u>
Total Liabilities	<u>35,781</u>	<u>1,577,299</u>	<u>--</u>	<u>3,177,251</u>
<u>Net Position</u>				
Net investment in capital assets	--	--	--	127,636
Unrestricted	<u>236,889</u>	<u>7,070,547</u>	<u>--</u>	<u>9,219,366</u>
Total Net Position	<u>\$ 236,889</u>	<u>\$ 7,070,547</u>	<u>\$ --</u>	<u>\$ 9,347,002</u>

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenses and  
Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>
Operating Revenues:				
Charges and fees	\$ --	\$ --	\$ 300,000	\$ 1,536,787
Total Operating Revenues	<u>    --</u>	<u>    --</u>	<u>300,000</u>	<u>1,536,787</u>
Operating Expenses:				
Salaries and benefits	--	--	--	172,837
Services and supplies	55,893	1,152	861	297,190
Insurance	--	--	219,261	845,923
Depreciation	--	59,109	--	--
Claims and judgments	--	--	--	218,854
Total Operating Expenses	<u>55,893</u>	<u>60,261</u>	<u>220,122</u>	<u>1,534,804</u>
Operating Income (Loss)	<u>(55,893)</u>	<u>(60,261)</u>	<u>79,878</u>	<u>1,983</u>
Non-Operating Revenues (Expenses):				
Interest revenue (expense)	<u>2,773</u>	<u>430</u>	<u>1,339</u>	<u>4,696</u>
Total Non-Operating Revenues	<u>2,773</u>	<u>430</u>	<u>1,339</u>	<u>4,696</u>
Income (Loss) Before Transfers:	(53,120)	(59,831)	81,217	6,679
Transfers in	500,000	290,000	--	--
Transfers out	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>(13,810)</u>
Change in Net Position	446,880	230,169	81,217	(7,131)
Net Position - Beginning of Year	<u>638,675</u>	<u>124,213</u>	<u>(73,811)</u>	<u>599,354</u>
Net Position - End of Year	<u>\$ 1,085,555</u>	<u>\$ 354,382</u>	<u>\$ 7,406</u>	<u>\$ 592,223</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenses and  
Changes in Net Position (continued)  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
Operating Revenues:				
Charges and fees	<u>\$ 4,100,488</u>	<u>\$ 13,595,069</u>	<u>\$ --</u>	<u>\$ 19,532,344</u>
Total Operating Revenues	<u>4,100,488</u>	<u>13,595,069</u>	<u>--</u>	<u>19,532,344</u>
Operating Expenses:				
Salaries and benefits	202,735	420,570	--	796,142
Services and supplies	36,647	10,561,677	1,126	10,954,546
Insurance	3,667,593	783,160	--	5,515,937
Depreciation	--	--	--	59,109
Claims and judgments	--	--	--	218,854
Total Operating Expenses	<u>3,906,975</u>	<u>11,765,407</u>	<u>1,126</u>	<u>17,544,588</u>
Operating Income (Loss)	<u>193,513</u>	<u>1,829,662</u>	<u>(1,126)</u>	<u>1,987,756</u>
Non-Operating Revenues (Expenses):				
Interest revenue (expense)	<u>(2,937)</u>	<u>21,103</u>	<u>24</u>	<u>27,428</u>
Total Non-Operating Revenues	<u>(2,937)</u>	<u>21,103</u>	<u>24</u>	<u>27,428</u>
Income (Loss) Before Transfers:	190,576	1,850,765	(1,102)	2,015,184
Transfers in	--	--	--	790,000
Transfers out	<u>(66,849)</u>	<u>(229,691)</u>	<u>(52,335)</u>	<u>(362,685)</u>
Change in Net Position	123,727	1,621,074	(53,437)	2,442,499
Net Position - Beginning of Year	<u>113,162</u>	<u>5,449,473</u>	<u>53,437</u>	<u>6,904,503</u>
Net Position - End of Year	<u>\$ 236,889</u>	<u>\$ 7,070,547</u>	<u>\$ --</u>	<u>\$ 9,347,002</u>



**COUNTY OF MENDOCINO**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2015

	Software Acquisition	Vehicle Replacement	Unemployment Insurance	General Liability Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from interfund services provided	\$ --	\$ --	\$ 300,000	\$ 1,541,097
Cash paid to employees for services	--	--	--	(176,596)
Cash paid to suppliers for goods and services	(75,350)	(34,722)	(218,314)	(1,145,119)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(75,350)</u>	<u>(34,722)</u>	<u>81,686</u>	<u>219,382</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	500,000	290,000	--	--
Transfers out	--	--	--	(13,810)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>500,000</u>	<u>290,000</u>	<u>--</u>	<u>(13,810)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	--	(54,535)	--	--
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>--</u>	<u>(54,535)</u>	<u>--</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	2,773	430	1,339	4,696
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>2,773</u>	<u>430</u>	<u>1,339</u>	<u>4,696</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	427,423	201,173	83,025	210,268
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>658,132</u>	<u>25,573</u>	<u>352,914</u>	<u>1,517,593</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,085,555</u>	<u>\$ 226,746</u>	<u>\$ 435,939</u>	<u>\$ 1,727,861</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (55,893)	\$ (60,261)	\$ 79,878	\$ 1,983
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	--	59,109	--	--
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	--	--	4,310
Increase (decrease) in:				
Accounts payable	(19,457)	(33,570)	--	44,914
Accrued salaries	--	--	--	787
Compensated absences	--	--	--	(4,546)
Claims liability	--	--	1,808	171,934
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (75,350)</u>	<u>\$ (34,722)</u>	<u>\$ 81,686</u>	<u>\$ 219,382</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2015

	Worker's Compensation	Health Insurance	Retiree Health Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from interfund services provided	\$ 4,100,488	\$ 13,587,664	\$ 86	\$ 19,529,335
Cash paid to employees for services	(199,528)	(417,624)	(1,234)	(794,982)
Cash paid to suppliers for goods and services	(3,680,065)	(11,467,009)	(1,126)	(16,621,705)
Net Cash Provided (Used) by Operating Activities	<u>220,895</u>	<u>1,703,031</u>	<u>(2,274)</u>	<u>2,112,648</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	--	--	--	790,000
Transfers out	(66,849)	(229,691)	(52,335)	(362,685)
Net Cash Provided (Used) by Investing Activities	<u>(66,849)</u>	<u>(229,691)</u>	<u>(52,335)</u>	<u>427,315</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	--	--	--	(54,535)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>(54,535)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	(2,937)	21,103	24	27,428
Net Cash Provided (Used) by Investing Activities	<u>(2,937)</u>	<u>21,103</u>	<u>24</u>	<u>27,428</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	151,109	1,494,443	(54,585)	2,512,856
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>121,561</u>	<u>7,142,998</u>	<u>54,585</u>	<u>9,873,356</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 272,670</u>	<u>\$ 8,637,441</u>	<u>\$ --</u>	<u>\$ 12,386,212</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 193,513	\$ 1,829,662	\$ (1,126)	\$ 1,987,756
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	--	--	--	59,109
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	(7,405)	86	(3,009)
Increase (decrease) in:				
Accounts payable	24,175	18,133	--	34,195
Accrued salaries	500	1,274	--	2,561
Compensated absences	2,707	1,672	(1,234)	(1,401)
Claims liability	--	(140,305)	--	33,437
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 220,895</u>	<u>\$ 1,703,031</u>	<u>\$ (2,274)</u>	<u>\$ 2,112,648</u>

**COUNTY OF MENDOCINO**

Combining Statement of Fiduciary Net Position  
Investment Trust Fund  
June 30, 2015

	Special Districts Local Boards	School Districts	Total
<u>Assets</u>			
Cash and investments in County Treasury	<u>\$ 14,066,240</u>	<u>\$ 104,377,760</u>	<u>\$ 118,444,000</u>
<u>Net Position</u>			
Reserved for pool participants	<u>\$ 14,066,240</u>	<u>\$ 104,377,760</u>	<u>\$ 118,444,000</u>