

COUNTY OF MENDOCINO

AUDIT REPORT

JUNE 30, 2003

**COUNTY OF MENDOCINO
AUDIT REPORT
For the Year Ended June 30, 2003**

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-vi
FINANCIAL SECTION	
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis (Required Supplementary Information)	3-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities.....	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17-18
Reconciliation of the Governmental Funds Balance Sheet to the Governmental-Wide Statement of Net Assets – Governmental Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20-21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Governmental-Wide Statement of Activities – Governmental Activities.....	22
Proprietary Funds:	
Statement of Fund Net Assets	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	24
Statement of Cash Flows.....	25-26
Fiduciary Funds:	
Statement of Fiduciary Net Assets	27
Statement of Changes in Fiduciary Net Assets	28
Notes to the Basic Financial Statements	29-56
Required Supplementary Information:	
County Employee's Retirement Plan (Defined Benefit Pension Plan):	
Schedule of Funding Progress.....	57
Budgetary Comparison Schedule – General Fund	58-59
Budgetary Comparison Schedule – Debt Service Fund	60
Budgetary Comparison Schedule – Pension Obligation Bonds Fund.....	61
Note to Required Supplementary Information:	
Budgetary Basis of Accounting.....	62

**COUNTY OF MENDOCINO
AUDIT REPORT
For the Year Ended June 30, 2003**

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Supplemental Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	65-70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	71-76
Nonmajor Lighting Special District Funds Governed by Board of Supervisors:	
Combining Balance Sheet	77-79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	80-82
Nonmajor Other Special Districts Governed by the Board of Supervisors:	
Combining Balance Sheet	83-84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	85-86
Internal Service Funds:	
Combining Statement of Fund Net Assets:	87-88
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	89-90
Combining Statement of Cash Flows	91-92
Fiduciary Funds:	
Combining Balance Sheet	93-94

INTRODUCTORY SECTION



ADMINISTRATIVE OFFICE

501 Low Gap Road, Room 1010
Ukiah, California 95482
(707) 463-4441
Fax: (707) 463-5649
coadmin@co.mendocino.ca.us

July 2, 2004

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

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

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

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

Pursuant to that requirement, attached please find the comprehensive annual financial report of the County of Mendocino for the fiscal year ended June 30, 2003.

This report consists of the County Administrative Officer (CAO) and Auditor/Controller's representations concerning the finances of Mendocino County. Consequently, the CAO and Auditor/Controller assume full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the CAO and Auditor/Controller have established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal control should not

outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As the CAO and Auditor/Controller, we attest that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Mendocino County's financial statements have been audited by Bartig, Basler & Ray, CPAs Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Mendocino County for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The firm of Bartig, Basler & Ray concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Mendocino County's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The County of Mendocino was one of California's original 27 counties, created in 1850 by the State Legislature and remains a political subdivision, or unit, of the State. Its name is derived from Cape Mendocino, which lies northward of its northern boundary. Cape Mendocino was given its name by a famous Spanish navigator of the 16th century, Juan Rodriguez Cabrillo. Cabrillo discovered it in 1542 while on voyage of discovery along the Pacific Coast and named it in honor of Don Antonio de Mendoza, the first Viceroy of New Spain (Mexico), and the patron of the voyageur. The County of Mendocino currently occupies a land area of 3,510 square miles and serves a population of approximately 86,265. The County of Mendocino is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

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

The annual budget serves as the foundation for the County of Mendocino's financial planning and control. All departments of the County of Mendocino are required to submit requests for appropriations to the County Administrative Officer. The Administrative Officer uses these requests as the starting point for developing a proposed budget. The County's Administrative Officer then presents this proposed budget to the Board of Supervisors for review in late June each year. The Board is required to hold public hearings on the proposed budget and to adopt a final budget no later than October 1st of each year. The appropriated budget is prepared by fund, function (e.g., public protection), and department (e.g. Probation Department). Department heads may make transfers of appropriations within a department with the County Administrative Officer's approval. The County Administrative Officer is also authorized to approve transfers of appropriations between departments in an amount not to exceed \$10,000. Transfer requests in excess of \$10,000 require the special approval of the Board of Supervisors. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on pages 58-59 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 60.

Factors Affecting Financial Condition

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

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

Long-term Financial Planning.

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

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

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

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

Cash Management Policies and Practices. Cash temporarily idle during the year was invested in medium-term notes, negotiable certificates of deposit, federal agency obligations, commercial paper, the State Local Agency Investment Fund, and mutual funds. The maturities of the investments range from one (1) day to fifteen (15) years, with an average maturity of eight (8) months. The average yield on investments was 4.42% percent for the County. Investment income includes appreciation in the fair market value of investments. Increases in fair market value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair market value of investments that the governments intends to hold to maturity.

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

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

Additional information on the County of Mendocino's risk management activity can be found in Note 15 of the notes to the financial statement.

Pension and Other Post Employment Benefits.

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

The County of Mendocino also provides postretirement medical benefits for retirees who have at least ten years of County service. As of the end of the current fiscal year, there were 481 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information about pension benefits can be found in Note 12 to the financial statements.

Respectfully submitted,

/s/ James M. Andersen

James M. Andersen
County Administrative Officer

/s/ Dennis Huey

Dennis Huey
Auditor-Controller

FINANCIAL SECTION

Bartig, Basler & Ray

A Professional Corporation

Certified Public Accountants and Management Consultants

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

Curtis A. Orgill
M. Elba Zúñiga

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic 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, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated September 4, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Supervisors and Grand Jury
County of Mendocino

The Management's Discussion and Analysis (MD & A) on pages 3 through 14 and the required supplementary information other than MD & A, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the County of Mendocino's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

September 4, 2003
Roseville, California

MENDOCINO COUNTY
Management's Discussion and Analysis

Prepared By: Jim Andersen, County Administrative Officer
Dennis Huey, Auditor-Controller

As management of Mendocino County, we offer readers of the County of Mendocino's financial statement this narrative overview and analysis of the financial activities of Mendocino County for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages i-vi).

Financial Highlights

- ❖ The County of Mendocino's liabilities exceeded its assets at the close of the most recent fiscal year by \$57,139,695 (net assets). Of this amount (\$120,098,759) (unrestricted net assets) was available to meet the County's ongoing obligations to citizens and creditors.
- ❖ The County's total net assets decreased by 86,036,111. The primary causes for the decrease resulted from (1) recognition of approximately \$4.7 million in depreciation expense, (2) recognition of an increase in long-term liabilities of approximately \$79 million (net) resulting from the issuance of pension obligation bonds and (3) recognition of additional expenses related to the County's landfill closure/post closure liability of approximately \$1.7 million.
- ❖ At the close of the current fiscal year, the County's combined (all funds) ending fund balance was \$19,728,723. This was a decrease of \$2,732,277 in comparison with the prior year. Approximately 39% of this total amount or \$7,782,468 is available for spending at the government's discretion.
- ❖ Unreserved fund balance for the General Fund at the close of the current fiscal year was \$4,688,897 or 3.7% of total general fund expenditures.
- ❖ Total debt increased by \$79,627,866 (116%) during the 2002/03 Fiscal Year.

Overview of the Financial Statements

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

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

The Statement of Net Assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Mendocino County is improving or deteriorating.

MENDOCINO COUNTY
Management's Discussion and Analysis

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

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 15-16 of this report.

Individual Fund Financial Statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

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

MENDOCINO COUNTY
Management's Discussion and Analysis

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 twenty-five 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 debt service fund and the pension obligation bonds fund, all of which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County of Mendocino adopts an annual appropriated budget for its General Fund. A budgetary comparison statement (pages 58-59) has been provided for the general fund to demonstrate compliance with this budget.

The basic Governmental Fund Financial Statements can be found on pages 17-22 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 23-26 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 27-28 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-56 of this report.

MENDOCINO COUNTY
Management's Discussion and Analysis

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 57-62 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 on pensions. Combining and individual funds statements and schedules can be found on pages 63-94 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Mendocino, liabilities exceeded assets by \$57,139,695 at the close of the 2002/2003 Fiscal Year.

By far the largest portion of the County's net assets (28%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County of Mendocino's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Mendocino's Net Assets

	Governmental Activities		Business-type Activities*		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 34,408,553	\$ 40,834,927			\$ 34,408,553	\$ 40,834,927
Capital assets	80,893,457	78,395,170			80,893,457	78,395,170
Total assets	115,302,010	119,230,097			115,302,010	119,230,097
Long-term liabilities - outstdg	140,999,477	55,408,798			140,999,477	55,408,798
Other liabilities	31,442,228	34,924,883			31,442,228	34,924,883
Total liabilities	172,441,705	90,333,681			172,441,705	90,333,681
Net assets:						
Invest in capital assets, net of related debt	48,291,551	45,964,609			48,291,551	45,964,609
Restricted	14,667,513	10,972,545			14,667,513	10,972,545
Unrestricted	(120,098,759)	(28,040,738)			(120,098,759)	(28,040,738)
Total net assets	(57,139,695)	28,896,416			(57,139,695)	28,896,416

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

MENDOCINO COUNTY
Management's Discussion and Analysis

Investments in capital assets are subject to various external restrictions on how they may be used. The remaining negative balance of unrestricted net assets in the amount of (\$120,098,759) cannot be used to meet the County's ongoing obligations to citizens and creditors.

The County's net assets decreased by \$86,036,111 during the current fiscal year. The decrease was caused by the increase in liabilities resulting from the issuance of \$92M of Pension Obligation Bonds.

MENDOCINO COUNTY
Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the County's net assets by \$86,036,111. Key elements of this decrease are as follows:

County of Mendocino's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002*	2003	2002
Revenues						
Program revenues:						
Charges for services	\$ 19,144,937	\$ 17,135,676			\$ 19,144,937	\$ 17,135,676
Operating grants & contributions	91,883,587	90,096,779			91,883,587	90,096,779
Capital grants & contributions	2,324,198	476,240			2,324,198	476,240
General revenues:						
Property taxes	\$ 20,653,506	\$ 21,455,633			\$ 20,653,506	\$ 21,455,633
Sales & Use taxes	9,305,238	8,752,809			9,305,238	8,752,809
Unrestricted Interest & Investment Earnings	1,264,767	3,197,797			1,264,767	3,197,797
Other	4,637,886	4,442,664			4,637,886	4,442,664
Miscellaneous	4,568,663	4,148,167			4,568,663	4,148,167
Total Revenues	\$ 153,782,782	\$ 149,705,765			\$ 153,782,782	\$ 149,705,765
Expenses						
Expenses:						
General Government	\$ 91,568,879	\$ 15,708,479			\$ 91,568,879	\$ 15,708,479
Public Protection	41,493,135	37,114,587			41,493,135	37,114,587
Public Ways & Facilities	7,800,554	12,171,744			7,800,554	12,171,744
Health & Sanitation	30,146,085	31,212,234			30,146,085	31,212,234
Public Assistance	53,617,596	52,577,506			53,617,596	52,577,506
Recreation and Cultural Services	327,221	255,970			327,221	255,970
Interest on long-term debt	7,576,855	5,350,390			7,576,855	5,350,390
Education	1,532,052	1,564,981			1,532,052	1,564,981
Total Expenses	\$ 234,062,377	\$ 155,955,891			\$ 234,062,377	\$ 155,955,891
Change in net assets before transfers						\$ -
Transfers						\$ -
Change in Net Assets	\$ (80,279,595)	\$ (6,250,126)			\$ (80,279,595)	\$ (6,250,126)
Prior Per. Adjustment	\$ (5,756,516)				\$ (5,756,516)	
Beginning Net Assets	\$ 28,896,416	\$ 35,146,542			\$ 28,896,416	\$ 35,146,542
Ending Net Assets	\$ (57,139,695)	\$ 28,896,416			\$ (57,139,695)	\$ 28,896,416

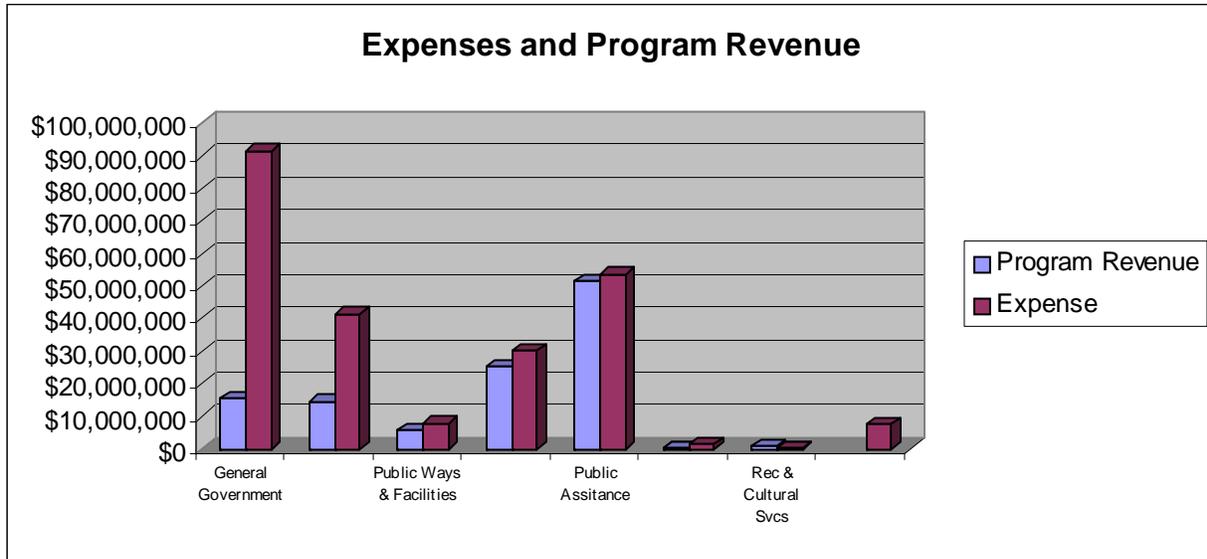
*Because Internal Service funds predominantly benefit governmental rather than business-type functions they have been included within governmental activities.

MENDOCINO COUNTY
Management's Discussion and Analysis

❖ Property taxes increased by \$935,007* (5%) during the year. Most of this increase is attributable to growth in secured property assessed valuation.

* Last year's property taxes were overstated by \$1,737,134 due to change in how prior year's taxes are reported.

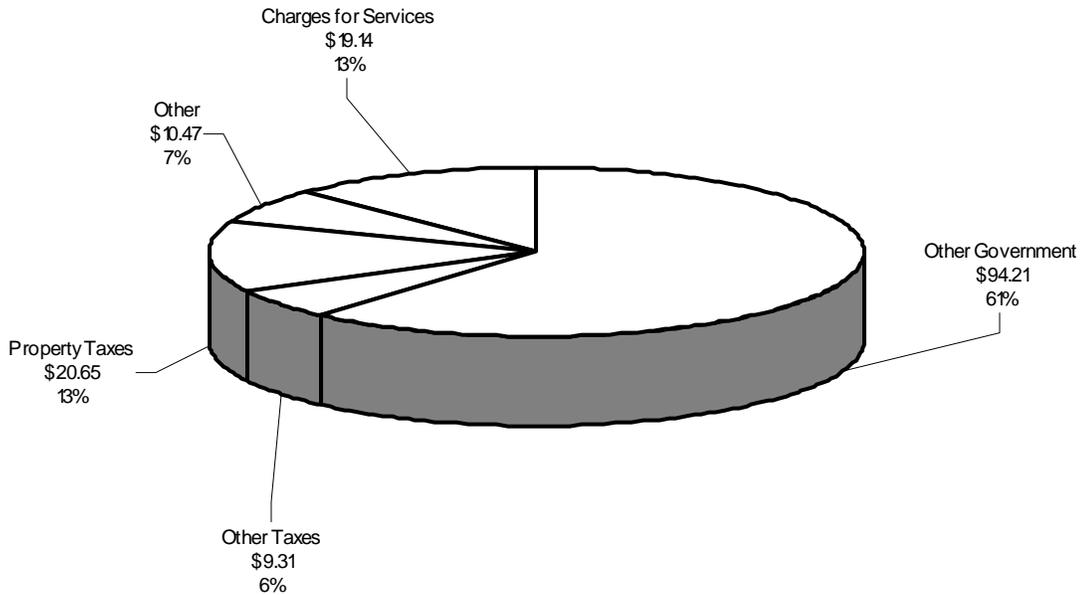
Expenses and Program Revenues – Governmental Activities



Governmental Funds	Program Revenue	Expense
General Government	\$15,399,662	\$91,568,879
Public Protection	\$14,549,796	\$41,493,135
Public Ways & Facilities	\$5,730,010	\$7,800,554
Health & Sanitation	\$25,183,449	\$30,146,085
Public Assistance	\$51,314,782	\$53,617,596
Education	\$343,263	\$1,532,052
Recreation & Cultural Svcs	\$831,760	\$327,221
Debt Service		\$7,576,855

MENDOCINO COUNTY
Management's Discussion and Analysis

Revenues by Source (in millions) – Governmental Activities



The largest portion of revenue received by the County comes from Federal and State sources (approximately 61%). The second largest source comes from taxes (19%). However, it should be noted that of every \$1.00 collected in property tax approximately 64% benefits schools, with 30% going toward the funding of County services and programs. Cities receive 2% and Special Districts receive 4%. Only 30% of total revenue received is discretionary (not dedicated to particular services/programs).

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Several noteworthy exceptions, however, were in the areas of public protection and general government. In those instances, the growth in expenses of \$4,378,548 and \$75,860,400 respectively reflects increases in costs for sheriff/jail services along with the issuance and payoff of the County's pension obligation to the Mendocino County Employee's Retirement Association.

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.

MENDOCINO COUNTY
Management's Discussion and Analysis

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 \$19,728,723, a decrease of \$2,732,277 from the prior year. Approximately 39% of this total amount (\$7,782,468) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$290,021); 2) to pay debt service (\$9,728,085); 3) for a variety of other restricted purposes (\$902,079).

The general fund is the chief operating fund of the County of Mendocino. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,688,897, while total fund balance reached \$5,099,203. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.7% of total general fund expenditures, while total fund balance represents 4.1% of that same amount.

The fund balance of the County of Mendocino's general fund increased by \$650,452 during the 2002/03 Fiscal Year. Key factors in this increase can be attributed to:

- ❖ Expenditures under budgeted amount particularly in the area of employee salaries.
- ❖ One-time revenues realized in excess over amount budgeted particularly with regards to the receipt of the \$4.8M from the Debt Service Forward Delivery Agreement resulting from the issuance of \$92M pension obligation bonds.

The debt service fund had a total fund balance of \$3,133,783, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$164,840. Interest expenditures, however, also decreased during the current period (\$933,261).

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

Unrestricted net assets of the internal service funds at the end of the year amounted to (\$3,397,675).

MENDOCINO COUNTY
Management's Discussion and Analysis

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are summarized below:

- ❖ Increased appropriations and revenue in Public Health by \$120,000 for EMS
- ❖ Increased appropriations and revenue in District Attorney by \$30,000 for Asset Forfeiture expenditures for equipment
- ❖ Appropriated \$20,390 of Contingencies for USDA Wildlife Services in Agriculture
- ❖ Appropriated \$100,000 of Contingencies for Round Valley Airport land purchase
- ❖ Increased appropriations and revenue in ETA by \$76,116 for Russian River Roads Assessment project
- ❖ Appropriated \$300,000 of Tobacco Settlement Designated Reserve for the remodel of the old Public Health building
- ❖ Appropriated \$58,231 of Contingencies to Water Agency

Capital Asset and Debt Administration

Capital assets. The County of Mendocino's investment in capital assets for its governmental and business type activities as of June 30, 2003, amounts to \$80,893,457 (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 3%.

Major capital asset events during the current fiscal year included the following:

- ❖ Construction of Animal Care and Control Facility (construction completed in fiscal year 2003-04)
- ❖ Acquisition and remodel of the Public Health Facility
- ❖ Phase I Construction (site work) of Consolidated Health and Human Services Center (Willits Integrated Services Center)
- ❖ Construction of Museum Artifacts Storage, Willits
- ❖ Construction of the Museum Exhibition and Learning Center
- ❖ Design Services for Jail Expansion
- ❖ Design Services for Agriculture and Farm Advisor Facility Remodel

MENDOCINO COUNTY
Management's Discussion and Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	2,848,274	2,848,274			2,848,274	2,848,274
Building and system	38,380,577	32,486,070			38,380,577	32,486,070
Improvements other than buildings	246,819				246,819	0
Machinery and equipment	9,424,905	9,411,920			9,424,905	9,411,920
Infrastructure	24,702,985	24,565,782			24,702,985	24,565,782
Construction in progress	5,289,897	9,083,124			5,289,897	9,083,124
Total	80,893,457	78,395,170			80,893,457	78,395,170

Long-term debt. At the end of the current fiscal year, the County of Mendocino has total bonded debt outstanding of \$148,294,465.

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

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	104,495,000	25,720,000			104,495,000	25,720,000
Certificates of Participation-Other	30,540,000	31,065,000			30,540,000	31,065,000
Other (capital leases, comp balances & landfill closure)	13,259,465	11,881,999			13,259,465	111,881,599
Total	148,294,465	68,666,599			148,294,465	68,666,599

The County of Mendocino's total debt increased by \$79,627,866 (116%) during the current fiscal year. The key factor in this increase was due to the issuance of a \$92 million pension obligation bond.

The County of Mendocino maintains a "AAA" rating from Standard and Poor's and Fitch.

State statutes limit the amount of general obligation debt a governmental entity may issue at 10% percent of its total assessed valuation. The current debt limitation for the County of Mendocino is \$632,329,466, which is significantly in excess of the County of Mendocino's outstanding general obligation debt.

MENDOCINO COUNTY
Management's Discussion and Analysis

Additional information on the County of Mendocino's long-term debt can be found in note 9 on pages 43-48 of this report.

Economic Factors which Impacted Budget

All of the factors listed below were considered in preparing the County of Mendocino's budget for the 2002-2003 fiscal year.

- ❖ The average unemployment rate for the County of Mendocino in 2002 was 7.2%. which is significantly higher than the annual national average of 5.8%.
- ❖ Property Tax valuation increased by 5.55% from the prior year.
- ❖ Inflationary trends in the region compare favorably to national indices.
- ❖ Continued sluggish recovery of national, state & local economies. Specifically, State's budget deficit (61% of County revenues come from Federal/State sources).
- ❖ Continued reductions in the County's portion of room occupancy taxes and timber yield taxes.
- ❖ Increased expenses to employee salaries and benefits due to escalating health and workers compensation insurance costs.

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 Auditor/Controller, 501 Low Gap Road, County of Mendocino, Ukiah, California, 95482.

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

COUNTY OF MENDOCINO

Statement of Net Assets
June 30, 2003

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Pooled cash and investments in county treasury	\$ 5,710,176
Restricted Assets:	
Pooled cash and investments	1,217,490
Cash with fiscal agent	10,754,155
Imprest cash	6,366
Other cash	5,490
Accounts receivable	3,733,627
Property taxes receivable	1,576,315
Interest receivable	74,320
Due from other governments	8,008,912
Inventory	895,713
Deferred charges	2,425,939
Other assets	50
Total Current Assets	<u>34,408,553</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	8,138,171
Depreciable, net	72,755,286
Total Noncurrent Assets	<u>80,893,457</u>
Total Assets	<u>\$ 115,302,010</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	\$ 2,450,769
Accrued salaries and benefits	1,823,985
Due to other governmental agencies	6,126,087
Deferred revenues	6,713,753
Interest payable	4,000,125
Bonds payable	2,225,000
Certificate of participation	740,000
Liability for unpaid claims	3,032,521
Compensated absences	3,916,067
Capital lease obligation	413,921
Total Current Liabilities	<u>31,442,228</u>
Long-term liabilities, due beyond one year	<u>140,999,477</u>
Total Liabilities	<u>172,441,705</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	48,291,551
Restricted for:	
Capital projects	2,648,520
Debt service	6,915,159
Other purposes	5,103,834
Unrestricted	<u>(120,098,759)</u>
Total Net Assets	<u>(57,139,695)</u>
Total Liabilities and Net Assets	<u>\$ 115,302,010</u>

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

COUNTY OF MENDOCINO

Statement of Activities For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 91,568,879	\$ 7,554,815	\$ 7,844,847	\$ --	\$ (76,169,217)
Public protection	41,493,135	7,622,992	6,926,804	--	(26,943,339)
Public ways and facilities	7,800,554	190,321	4,047,251	1,492,438	(2,070,544)
Health and sanitation	30,146,085	3,635,889	21,547,560	--	(4,962,636)
Public assistance	53,617,596	117,800	51,196,982	--	(2,302,814)
Education	1,532,052	23,120	320,143	--	(1,188,789)
Recreation and cultural services	327,221	--	--	831,760	504,539
Debt Service:					
Interest	7,576,855	--	--	--	(7,576,855)
Total Governmental Activities	\$ 234,062,377	\$ 19,144,937	\$ 91,883,587	\$ 2,324,198	(120,709,655)
General Revenues:					
Taxes:					
Property taxes					20,653,506
Sales and use taxes					9,305,238
Other					4,637,886
Unrestricted interest and investment earnings					1,264,767
Miscellaneous					4,568,663
Total General Revenues					40,430,060
Change in Net Assets					(80,279,595)
Net assets - July 1					28,896,416
Prior period adjustments					(5,756,516)
Net assets - June 30					\$ (57,139,695)

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

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF MENDOCINO

Balance Sheet
Governmental Funds
June 30, 2003

	<u>General</u>	<u>Debt Service</u>	<u>Pension Obligation Bonds</u>
<u>ASSETS</u>			
Pooled cash and investments in county treasury	\$ --	\$ --	\$ --
Restricted Assets:			
Cash in treasury	1,217,490		
Cash with fiscal agent	--	4,021,569	5,706,516
Imprest cash	5,899	--	--
Other cash	5,490	--	--
Accounts receivable	2,148,965	--	128,815
Property taxes receivable	1,576,315	--	--
Interest receivable	74,320	--	--
Due from other governments	8,008,912	--	--
Inventory	296,984	--	--
Other assets	50	--	--
Due from other funds	3,114,102	--	--
Total Assets	<u>\$ 16,448,527</u>	<u>\$ 4,021,569</u>	<u>\$ 5,835,331</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,671,296	\$ --	\$ --
Due to other funds	1,099,204	720,989	1,629,562
Accrued salaries and benefits	1,649,688	--	--
Matured principal and interest payable	--	166,797	138,627
Deferred revenues	803,049	--	--
Due to other governmental agencies	6,126,087	--	--
Total Liabilities	<u>11,349,324</u>	<u>887,786</u>	<u>1,768,189</u>
<u>FUND BALANCES</u>			
Reserved:			
Encumbrances	107,423	--	--
Inventory	296,984	--	--
Imprest cash	5,899	--	--
Debt service	--	4,021,569	5,706,516
Capital projects	--	--	--
Unreserved, reported in:			
General fund	4,688,897		
Special revenue funds	--	--	--
Capital project funds	--	--	--
Debt service funds	--	(887,786)	(1,639,374)
Total Fund Balances	<u>5,099,203</u>	<u>3,133,783</u>	<u>4,067,142</u>
Total Liabilities and Fund Balances	<u>\$ 16,448,527</u>	<u>\$ 4,021,569</u>	<u>\$ 5,835,331</u>

continued

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

COUNTY OF MENDOCINO

Balance Sheet (continued)
Governmental Funds
June 30, 2003

	Other Governmental Funds	Total
<u>ASSETS</u>		
Pooled cash and investments in county treasury	\$ 5,450,182	\$ 5,450,182
Restricted Assets:		
Cash in treasury		1,217,490
Cash with fiscal agent	1,026,070	10,754,155
Imprest cash	467	6,366
Other cash	--	5,490
Accounts receivable	1,240,744	3,518,524
Property taxes receivable	--	1,576,315
Interest receivable	--	74,320
Due from other governments	--	8,008,912
Inventory	598,729	895,713
Other assets	--	50
Due from other funds	1,099,204	4,213,306
Total Assets	\$ 9,415,396	\$ 35,720,823
<u>LIABILITIES</u>		
Accounts payable	\$ 436,870	\$ 2,108,166
Due to other funds	282,646	3,732,401
Accrued salaries and benefits	168,081	1,817,769
Matured principal and interest payable	--	305,424
Deferred revenues	1,099,204	1,902,253
Due to other governmental agencies	--	6,126,087
Total Liabilities	1,986,801	15,992,100
<u>FUND BALANCES</u>		
Reserved:		
Encumbrances	182,598	290,021
Inventory	598,729	895,713
Imprest cash	467	6,366
Debt service	--	9,728,085
Capital projects	1,026,070	1,026,070
Unreserved, reported in:		
General fund	--	4,688,897
Special revenue funds	4,284,047	4,284,047
Capital project funds	1,622,450	1,622,450
Debt service funds	(285,766)	(2,812,926)
Total Fund Balances	7,428,595	19,728,723
Total Liabilities and Fund Balances	\$ 9,415,396	\$ 35,720,823

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

COUNTY OF MENDOCINO

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets - Governmental Activities June 30, 2003

Fund Balance - total governmental funds (page 18)	\$ 19,728,723
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred charges in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,425,939
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	(4,811,500)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	79,630,246
Internal service funds are used by the County to charge the cost of unemployment insurance, dental insurance, fleet services and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:	(2,134,464)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances as of June 30, 2002 are:	
Bonds payable	(104,495,000)
Certificates of participation	(30,540,000)
Capital leases	(1,985,384)
Accrued interest on long-term debt	(3,694,701)
Compensated absences	(3,905,540)
Landfill closure/post closure care costs	<u>(7,358,014)</u>
Net assets of governmental activities (page 15)	<u>\$ (57,139,695)</u>

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

COUNTY OF MENDOCINO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2003

	General	Debt Service	Pension Obligation Bonds
Revenues:			
Taxes	\$ 34,294,502	\$ --	\$ --
Licenses, permits and franchises	2,534,960	--	--
Intergovernmental	75,690,560	--	--
Revenue from use of money and property	1,096,848	80,269	20,583
Fines, forfeitures and penalties	1,441,837	--	--
Charges for services	9,834,119	--	4,536,970
Other revenue	8,394,963	706,566	--
Total Revenues	133,287,789	786,835	4,557,553
Expenditures:			
Current:			
General government	12,740,127	33,366	77,424,237
Public protection	36,444,989	--	--
Public ways and facilities	75,336	--	--
Health and sanitation	24,649,282	--	--
Public assistance	49,155,912	--	--
Education	212,893	--	--
Recreation and culture services	245,754	--	--
Debt service - principal	--	525,000	1,925,000
Debt service - interest	891,964	1,530,453	2,585,352
Cost of debt issuance	--	--	2,425,939
Capital outlay	878,871	--	--
Total Expenditures	125,295,128	2,088,819	84,360,528
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,992,661	(1,301,984)	(79,802,975)
Other Financing Sources (Uses):			
Transfers in	1,151,318	1,137,146	--
Transfers out	(9,053,388)	--	--
Sale of capital assets	2,542	--	--
Payment to refunded debt escrow agent	--	--	(11,245,000)
Debt Issuance	557,319	--	91,945,000
Total Other Financing Sources (Uses)	(7,342,209)	1,137,146	80,700,000
Net change in fund balances	650,452	(164,838)	897,025
Fund balances - beginning	9,251,160	3,298,621	3,170,117
Prior period adjustment	(4,802,409)	--	--
Fund balances, restated, beginning	4,448,751	3,298,621	3,170,117
Fund balances - ending	\$ 5,099,203	\$ 3,133,783	\$ 4,067,142

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

COUNTY OF MENDOCINO

Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Governmental Funds For the Year Ended June 30, 2003

	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:		
Taxes	\$ 302,128	\$ 34,596,630
Licenses, permits and franchises	251,455	2,786,415
Intergovernmental	18,517,225	94,207,785
Revenue from use of money and property	105,726	1,303,426
Fines, forfeitures and penalties	218,980	1,660,817
Charges for services	326,616	14,697,705
Other revenue	278,634	9,380,163
Total Revenues	20,000,764	158,632,941
Expenditures:		
Current:		
General government	327,160	90,524,890
Public protection	2,646,263	39,091,252
Public ways and facilities	8,300,980	8,376,316
Health and sanitation	3,842,326	28,491,608
Public assistance	3,245,336	52,401,248
Education	1,203,781	1,416,674
Recreation and culture services	65,014	310,768
Debt service - principal	--	2,450,000
Debt service - interest	--	5,007,769
Cost of debt issuance	--	2,425,939
Capital outlay	4,296,923	5,175,794
Total Expenditures	23,927,783	235,672,258
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,927,019)	(77,039,317)
Other Financing Sources (Uses):		
Transfers in	5,126,045	7,414,509
Transfers out	(1,252,628)	(10,306,016)
Sale of capital assets	56,251	58,793
Payment to refunded debt escrow agent	--	(11,245,000)
Debt Issuance	505,281	93,007,600
Total Other Financing Sources (Uses)	4,434,949	78,929,886
Net change in fund balances	507,930	1,890,569
Fund balances - beginning	6,741,102	22,461,000
Prior period adjustment	179,563	(4,622,846)
Fund balances, restated, beginning	6,920,665	17,838,154
Fund balances - ending	\$ 7,428,595	\$ 19,728,723

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

COUNTY OF MENDOCINO

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2003

Net change to fund balance - total governmental funds (page 21)		\$ 1,890,569
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	7,639,466	
Less current year depreciation	<u>(4,652,110)</u>	2,987,356
In the statement of activities, the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets.		
	<u>(126,073)</u>	(126,073)
Foregone interest received in current year was recognized as revenue in the governmental funds, whereas this amount is deferred and amortized in the statement of activities.		
	<u>(4,811,500)</u>	(4,811,500)
Bond proceeds and new capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
	<u>(93,007,600)</u>	(93,007,600)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
	<u>2,425,939</u>	2,425,939
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal and refunded debt repayments:		
Capital leases	442,777	
Refunded bond payable	11,245,000	
Bonds payable and certificates of participation	<u>2,450,000</u>	14,137,777
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Accrued interest on long-term debt	(2,569,086)	
Change in compensated absences	(355,839)	
Change in liability for closure/post closure care	<u>(404,269)</u>	(3,329,194)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		
		<u>(446,869)</u>
Change in net assets of governmental activities (page 16)		<u><u>\$ (80,279,595)</u></u>

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

COUNTY OF MENDOCINO

Statement of Fund Net Assets
Proprietary Funds
June 30, 2003

	Governmental Activities
	<u>Internal Service Funds</u>
ASSETS	
Current Assets:	
Cash and Investments	\$ 259,994
Accounts receivable	215,103
Due from other funds	218,287
Total Current Assets	<u>693,384</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable:	
Equipment	3,885,803
Accumulated depreciation	<u>(2,622,592)</u>
Total Noncurrent Assets	<u>1,263,211</u>
Total Assets	<u><u>\$ 1,956,595</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 342,603
Accrued salaries and benefits	6,216
Compensated absences payable	10,527
Due to other funds	699,192
Liability for unpaid claims	<u>3,032,521</u>
Total Current Liabilities	<u>4,091,059</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,263,211
Unrestricted	<u>(3,397,675)</u>
Total Net Assets	<u>(2,134,464)</u>
Total Liabilities and Net Assets	<u><u>\$ 1,956,595</u></u>

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

COUNTY OF MENDOCINO

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2003

	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:	
Charges for services	\$ 13,359,721
Other revenue	14,551
Total Operating Revenues	<u>13,374,272</u>
Operating Expenses:	
Salaries and employee benefits	296,017
Maintenance and repairs	326,390
Services and supplies	10,547,328
Insurance	3,382,834
Depreciation	583,893
Claims and judgments	1,311,116
Total Operating Expenses	<u>16,447,578</u>
Operating Income (Loss)	<u>(3,073,306)</u>
Non-Operating Revenues (Expenses):	
Interest income (expense)	(38,659)
Gain (loss) on disposition of capital assets	(14,157)
Total Non-Operating Revenues (Expenses)	<u>(52,816)</u>
Net Income (Loss) Before Transfers	(3,126,122)
Transfers in	3,077,289
Transfers out	<u>(398,036)</u>
Change in Net Assets	<u>(446,869)</u>
Net Assets - Beginning of Year	(340,595)
Prior period adjustment	(1,347,000)
Net Assets - Beginning of Year, as restated	<u>(1,687,595)</u>
Net Assets - End of Year	<u><u>\$ (2,134,464)</u></u>

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

COUNTY OF MENDOCINO

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from interfund services provided	\$ 13,324,794
Cash paid to suppliers for goods and services	(14,881,389)
Cash paid to employees for services	(297,871)
Payments for quasi-external transactions	<u>(975,484)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,829,950)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	3,077,289
Transfers out	(398,036)
Interest payments	<u>(45,440)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,633,813</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds of sales of fixed assets	27,826
Purchase of capital assets	<u>(49,550)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(21,724)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>6,781</u>
Net Cash Provided by Investing Activities	<u>6,781</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(211,080)
Cash and Cash Equivalents, Beginning of Year	<u>471,074</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 259,994</u></u>

continued

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

COUNTY OF MENDOCINO

Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2003

	<u>Governmental Activities</u> Internal Service Funds <u> </u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (3,073,306)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	583,893
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(49,478)
Due from other funds	(1,077,511)
Increase (decrease) in:	
Accounts payable	(790,669)
Due to other funds	102,027
Accrued salaries	211
Liability for self-insurance	<u>1,476,948</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (2,829,950)</u></u>

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

COUNTY OF MENDOCINO

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Investment Trust	Agency Funds	Pension Trust Fund	Total
ASSETS				
Cash and investments in County Treasury	\$ 67,071,125	\$ 6,887,520	\$ 5,416,742	\$ 79,375,387
Imprest cash	8,160	--	--	8,160
Other cash	8,500	--	--	8,500
Accounts receivable	617,755	--	--	617,755
Taxes receivable	--	4,931,928	--	4,931,928
Advances receivable	--	6,126,087	--	6,126,087
Total Current Assets	<u>\$ 67,705,540</u>	<u>\$ 17,945,535</u>	<u>\$ 5,416,742</u>	<u>\$ 91,067,817</u>
LIABILITIES				
Accounts payable	\$ 170,102	\$ --	\$ --	\$ 170,102
Accrued payroll and benefits	104,086	--	--	104,086
Agency funds held for others	--	17,945,535	--	17,945,535
Total Liabilities	<u>274,188</u>	<u>17,945,535</u>	<u>--</u>	<u>18,219,723</u>
NET ASSETS				
Net Assets held in trust for:				
Retirement system	--	--	5,416,742	5,416,742
Investment pool participants	67,431,352	--	--	67,431,352
Total Net Assets	<u>67,431,352</u>	<u>--</u>	<u>5,416,742</u>	<u>72,848,094</u>
Total Liabilities and Net Assets	<u>\$ 67,705,540</u>	<u>\$ 17,945,535</u>	<u>\$ 5,416,742</u>	<u>\$ 91,067,817</u>

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

COUNTY OF MENDOCINO

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2003

	<u>Pension Trust</u>	<u>Investment Trust</u>
Additions:		
Contributions to investment pool	\$ 101,126,179	\$ 94,099,299
Interest and investment income	201,142	901,779
Total Additions	<u>101,327,321</u>	<u>95,001,078</u>
Deductions:		
Distributions from investment pool	<u>98,636,219</u>	<u>89,482,700</u>
Total Deductions	<u>98,636,219</u>	<u>89,482,700</u>
Change in net assets	2,691,102	5,518,378
Net assets, beginning	<u>2,725,640</u>	<u>61,912,974</u>
Net assets, ending	<u><u>\$ 5,416,742</u></u>	<u><u>\$ 67,431,352</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 1: **The Financial Reporting Entity**

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

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

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

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

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

A. **Basis of Presentation**

Government-Wide Financial Statements

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

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

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

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

Government-Wide Financial Statements (continued)

activities, generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. At June 30, 2003, the County had no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or functions and; therefore, are clearly identifiable to a particular function and allocated indirect expenses. Direct expenses also include each function's allocated share of indirect expenses. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The fund financial statements report detailed information about the County's funds, including fiduciary funds and blended component units. Separate statements are provided for each fund category – *governmental, proprietary and fiduciary* – even though the latter are excluded from the government-wide financial statements. The emphasis of the Governmental and Proprietary Fund financial statements is on major individual funds. Each major fund is presented in a single column. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

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

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

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

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

Fund Financial Statements (continued)

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. The General Fund is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreational services.
- The *Debt Service Fund* is used to accumulate funds for the payment of debt service on the Certificates of Participation.
- The *Pension Obligation Bonds* Fund is used to accumulate funds for the payment of debt service on the Pension Obligation Bonds. Deposits are made on each pay period from amounts charged to the individual departments, based on retirement participation.

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

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

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

B. Measurement Focus and Basis of Accounting

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

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

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they become both measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. All other revenues are considered to be available if they are collected within 120 days of the end of the current fiscal period. It is the County's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payments are generally received within 90 days. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded as expenditures only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

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

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

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

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

with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

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

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

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, and U.S. Government securities. The securities are stated at 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. **Inventories**

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

G. **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).

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

G. Property Tax Revenue (continued)

Alternative Method of Distribution of Tax Levies

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

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

H. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The County defines capital assets as assets with an initial, individual cost of more than \$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

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

I. Other Assets

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

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

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

I. **Other Assets** (continued)

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

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

J. **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.

K. **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, 2003

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Fund balance/net assets, June 30, 2002, as previously reported	\$ 9,251,160	\$ 10,039,723
Fund Reclassifications:		
Trust and Agency Funds	1,156,558	179,563
Prior Period Adjustments	<u>(5,958,967)</u>	<u> --</u>
Fund Balance/net assets July 1, 2002, as restated	<u>\$ 4,448,751</u>	<u>\$ 10,219,286</u>

The prior period adjustments to the fund balance of the General Fund are due to the restatement of some agency funds, such as the Tax Resource Fund and Tax Loss Reserve Fund, that were previously included in the General Fund, as well as to reflect the liability from the General Fund to the Tax Resource Fund for delinquent taxes deposited in prior years in the General Fund instead of the Tax Resource Fund. The prior period adjustments to the fund balances of the Non Major Governmental Funds are due to additional trust funds that should have been recognized in prior year as new special revenue funds to comply with the provisions of GASB 34 new accounting standards.

The other prior period adjustment to the beginning net assets in the Statement of Activities totaling \$213,330 was to correct prior year ending capital asset accumulated depreciation balance.

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

Deficit Fund Equity

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

<u>Fund</u>	<u>Deficit</u>
Health Insurance	\$ 310,082
General Liability Insurance	1,311,464
Unemployment Insurance	73,252
Assessor AB818	4,104
Lighting Special District – Alexander Estates	12,611
Lighting Special District – Noyo	486
Redevelopment Agency	285,766

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

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

Deficit Fund Equity (continued)

The Internal Service Funds for insurance (health, general liability and unemployment) had a deficit fund equity at year-end because of the increase in insurance premiums and cost of health care during the year. Also, no contributions were received in current year for unemployment. The County is partially self-insuring its insurance coverage and intends to progressively raise the amount of insurance contributions charged.

The deficit fund equity in the Special Revenue fund – Assessor AB 818 was due to an error in the amount transferred to the General Fund at the end of the year. The error was corrected in the fiscal year ended June 30, 2004.

The deficit fund equity in the Lighting Special District funds was due to an excess of expenditures over taxes assessed and received in couple districts. The Alexander Estates district used to have an additional direct assessment to make up for the excess expenditures. However, this assessment expired a few years ago and has not been replaced. Because the lighting districts are all controlled by the County Board of Supervisors, the County is considering grouping all districts in one fund.

The deficit fund equity in the Redevelopment Agency debt service fund is due to excess expenditures over revenues. The Agency has not started receiving tax increments yet, but is annually incurring expenditures, and will be until the plan is put in place in the fiscal year ended June 30, 2005.

Note 5: **Cash and Investments**

Cash in Treasury

The County's investment policy is governed by the California Government Code. Under the parameters established by the California Government Code, the County may purchase: obligations issued by the United States Treasury; obligations, participations, or other instruments of or issued by a federal agency or a United States government sponsored enterprise; obligations of state and local agencies of this state; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term corporate notes; as well as other investments established by the California Government Code.

The County maintains a combined pool with cash and investments which provide cash flow for the funding needs of the County and local agencies required by law to keep funds in the Treasury.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

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

Cash in Treasury (continued)

The combined pool's investments are valued using the amortized cost method (which approximates fair value) and includes accrued interest. This pool, which is available to all funds, has deposits and investments with a weighted-average maturity of less than one year. Interest is apportioned to the separate funds based on the individual fund's average daily balance.

Deposits: At year end the carrying amount of the County's Treasury deposits was \$7,647,940, which was maintained in financial institutions. Of the balance in financial institutions, \$100,000 was covered by federal depository insurance and \$7,547,940 was covered by collateral having a market value of at least 10% in excess of total amount on deposit as governed by the Administrator of Local Agency Security of the State of California. The County's deposits are considered to be in risk categories 1 during the fiscal year.

Under the California Government Code, a financial institution is required to secure deposits in excess of \$100,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities on the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of those deposits. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the County's name.

GASB 31 requires governmental external investment pools to report certain investments at fair value in the financial statements and report the change in the fair value of investments in the year in which the change occurred. In compliance with these requirements, the fair value of the County's combined pool is determined annually and is based on current market prices received from the securities custodian, broker bids, and LAIF, except for instruments which are carried at amortized cost plus accrued interest. The fair value of the participants' position in the pool is the same as the carrying value of the pool shares. The County Treasury has provided a dollar factor in the Quarterly Report of Investments, which can be used for financial reporting by the pool participants. As of June 30, 2003, the fair values are 99.71% of the carrying value and are deemed to not represent a material difference.

The County's combined pool has invested in the State Local Agency Investment Fund (LAIF). The fair value of the investments in LAIF is the same value of the pool shares. Market valuation is conducted quarterly, the factor of which is provided by LAIF are authorized under Government Code Section 16430 and 16480.4, in line with the goals of

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

Cash in Treasury (continued)

safety, liquidity and yield. As of June 30, 2003, the LAIF pool includes structured notes and asset-backed securities, which total 2.327% of the total portfolio. LAIF has oversight by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The Chairman of the LIAB is the State Treasurer or his designated representative.

Investment: The County's investments are detailed below. In order to standardize the reporting of risk categories as they pertain to the investment of public funds, as outlined by GASB 3, each type of investment is classified into one of three categories. Category 1 pertains to securities insured or registered, or securities held by the County or its agent in the County's name. Category 2 refers to uninsured and unregistered securities held by the counter party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered securities held by the counterparty, or its trust department or agent but not in the County's name. All of the County's investments during the fiscal year were in Category 1. The County's investments by category as of June 30, 2003, are as follows:

	<u>Maturity Dates</u>	<u>Stated Interest Rates</u>	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Par Value</u>
Commercial Paper	7/1/03	1.2%	\$ 4,999,833	\$ 4,999,833	\$ 5,000,000	\$ 5,000,000
Medium-Term Notes	9/26/03-3/20/07	1.58%-2.63%	24,961,049	24,961,049	25,087,486	25,000,000
Federal Agency Obligations	3/15/07-9/15/17	7.5%-10.0%	<u>132,303</u>	<u>132,303</u>	<u>142,200</u>	<u>133,788</u>
			<u>\$ 30,093,185</u>	30,093,185	30,229,686	30,133,788
Investment in State Treasurer's Investment Pool				40,000,000	40,113,851	40,000,000
Mendocino County Delinquent Tax and Revenue Anticipation Note				10,726,496	10,726,496	10,726,496
Mutual Fund				7,926,271	7,461,307	7,461,307
Cash in Bank				7,647,940	7,647,940	7,647,940
Cash on Hand				<u>1,697,894</u>	<u>1,697,894</u>	<u>1,697,894</u>
Total Investments in County Treasury				98,091,786	97,877,174	97,667,425
Outstanding Warrants				(11,861,880)	(11,861,880)	(11,861,880)
Miscellaneous Reconciling Items				<u>73,147</u>	<u>73,147</u>	<u>73,147</u>
Total Cash and Cash Equivalents in Treasury				<u>\$ 86,303,053</u>	<u>\$ 86,088,441</u>	<u>\$ 85,878,692</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

Cash in Treasury (continued)

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2003:

COUNTY OF MENDOCINO

Pooled Treasury

Statement of Net Assets
June 30, 2003

Assets:	
Pooled cash and investments	<u>\$ 86,303,053</u>
Net Assets:	
Equity of Internal Pool participants	\$ 19,231,928
Equity of External Pool participants (voluntary and involuntary)	<u>67,071,125</u>
Total Net Assets	<u>\$ 86,303,053</u>

Statement of Changes in Net Assets
For the Year Ended June 30, 2003

Investment income for the year	\$ 1,651,794
Investment costs	(322,070)
Net additional contributions (withdrawals) by pool participants	<u>3,333,613</u>
Net increase (decrease) for the year	4,663,337
Net assets, July 1, 2002	<u>81,639,716</u>
Net assets, June 30, 2003	<u>\$ 86,303,053</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

Restricted Cash with Fiscal Agent

Cash and investments at June 30, 2003 that are restricted by legal or contractual requirements are comprised of the following:

Capital Projects Funds	\$ 1,026,070
Debt Service Fund	4,021,569
Pension Obligation Bonds	<u>5,706,515</u>
 Total Restricted Cash	 <u>\$ 10,754,154</u>

Note 6: **Short-Term Note Payable**

On July 3, 2002, the County issued a \$21,825,000 tax and revenue anticipation note to manage the temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The note was issued in anticipation of collection of taxes and other revenues to be received during the fiscal year ended June 30, 2003 and was repaid with taxes and other revenues by June 30, 2003.

Short-term note payable activity for the year ended June 30, 2003 was as follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2003</u>
Short-term note payable	\$ --	\$ 21,825,000	\$ 21,825,000	\$ --

Note 7: **Interfund Transactions**

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2003 are as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service	Internal Service	\$ 218,287
General Fund	Debt Service	720,989
	Pension Obligation Bonds	1,629,562
	Other Governmental	282,646
	Internal Service	<u>480,905</u>
		3,114,102
		<u>\$ 3,332,389</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 7: **Interfund Transactions** (continued)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. Also, a one-sided transfer of assets from the Internal Service Fund for vehicle replacement to various departments of the General Fund occurred in the current year in the amount of \$212,254. The following schedule briefly summarizes the County's transfer activity:

Between Funds Within the Governmental Activities:

Transfer From	Transfer To	Amount
General	Debt Service	\$ 1,137,146
	Other Governmental	5,077,251
	Internal Service	<u>2,838,991</u>
		<u>9,053,388</u>
Internal Service	General Fund	183,452
	Other Governmental	<u>2,330</u>
		<u>185,782</u>
Other Governmental	Other Governmental	46,464
	General Fund	967,866
	Internal Service	<u>238,298</u>
		<u>1,252,628</u>
		10,491,798
Internal Service	General Fund	<u>212,254</u>
		<u>\$ 10,491,798</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 8: **Capital Assets**

Capital asset activity for the year ended June 30, 2003 was as follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2003</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 2,848,274	\$ --	\$ --	\$ --	\$ 2,848,274
Construction in progress	<u>9,083,124</u>	<u>2,909,883</u>	<u>--</u>	<u>(6,703,110)</u>	<u>5,289,897</u>
Total capital assets, not being depreciated	<u>11,931,398</u>	<u>2,909,883</u>	<u>--</u>	<u>(6,703,110)</u>	<u>8,138,171</u>
Capital assets, being depreciated:					
Infrastructure	39,444,393	1,387,846	--	--	40,832,239
Structures and improvements	47,334,109	668,591	--	6,841,456	54,844,156
Equipment	26,286,793	2,693,670	(933,503)	(2,261,624)	25,785,336
Improvements other than buildings	<u>223,972</u>	<u>30,231</u>	<u>--</u>	<u>2,259,516</u>	<u>2,513,719</u>
Total capital assets, being depreciated	<u>113,289,267</u>	<u>4,780,338</u>	<u>(933,503)</u>	<u>6,839,348</u>	<u>123,975,450</u>
Less accumulated depreciation for:					
Infrastructure	(14,878,611)	(1,257,220)	--	6,577	(16,129,254)
Structures and improvements	(14,848,039)	(1,440,225)	--	(175,315)	(16,463,579)
Equipment	(16,934,972)	(2,381,225)	764,242	2,191,524	(16,360,431)
Improvements other than buildings	<u>(163,873)</u>	<u>(157,333)</u>	<u>--</u>	<u>(1,945,694)</u>	<u>(2,266,900)</u>
Total accumulated depreciation	<u>(46,825,495)</u>	<u>(5,236,003)</u>	<u>764,242</u>	<u>77,092</u>	<u>(51,220,164)</u>
Total capital assets, being depreciated, net	<u>66,463,772</u>	<u>(455,665)</u>	<u>(169,261)</u>	<u>6,916,440</u>	<u>72,755,286</u>
Government activities capital assets, net	<u>\$ 78,395,170</u>	<u>\$ 2,454,218</u>	<u>\$ (169,261)</u>	<u>\$ 213,330</u>	<u>\$ 80,893,457</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 744,892
Public protection	1,613,071
Public ways	1,632,855
Health and sanitation	598,496
Public assistance	553,285
Education	79,479
Recreation and culture	<u>13,925</u>
Total Depreciation Expense – Governmental Functions	<u>\$ 5,236,003</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 9: **Long-Term Liabilities**

Long-term liabilities at June 30, 2003 consisted of the following:

<u>Governmental Activities</u>					
<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2003</u>
Taxable Pension Obligation Bonds					
1996 Series (Issued to meet net pension obligation of the County's retirement plan)					
	7/01/03-7/01/09	5.54%-6.97%	\$2,225,000-\$4,770,000	\$ <u>30,720,000</u>	\$ <u>12,550,000</u>
2002 Series (Issued to partially refund the 1996 Series and to meet the net pension obligation of the County's retirement plan)					
	7/01/04-7/01/26	2.07%-5.77%	\$885,000-\$7,560,000	<u>91,945,000</u>	<u>91,945,000</u>
				<u>122,665,000</u>	<u>104,495,000</u>
Certificates of Participation					
1998 Issue (defeased the 1989 refunding Certificates of Participation)					
Serial Current Interest Certificates	8/15/03-8/15/06	4.05%-4.30%	\$275,000-\$490,000	\$ <u>8,600,000</u>	\$ <u>1,390,000</u>
2000 Issue (Refunding of 1998 COPs)					
Serial Current Interest Certificates	6/01/04-6/01/16	4.10%-5.0%	\$75,000-\$535,000	6,120,000	5,205,000
Term Current Interest Certificates	6/1/2030	5.25%	\$570,000-\$1,905,000	<u>16,360,000</u>	<u>16,360,000</u>
2000 Issue				<u>22,480,000</u>	<u>21,565,000</u>
2001 Issue (Refunding of 1993 certificates)					
Serial Current Interest Certificates	6/01/04-6/01/21	3.5%-4.8%	\$240,000-\$460,000	6,455,000	6,075,000
Term Current Interest Certificates	6/01/2024	4.98%	\$480,000-\$525,000	<u>1,510,000</u>	<u>1,510,000</u>
2001 Issue				<u>7,965,000</u>	<u>7,585,000</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 9: **Long-Term Liabilities** (continued)

A. Summary of Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Amounts Due Within One Year	Long-Term Portion
Governmental Activities:						
Bonds payable	\$ 25,720,000	\$ 91,945,000	\$ 13,170,000	\$ 104,495,000	\$ 2,225,000	\$ 102,270,000
Certificates of Participation	31,065,000	--	525,000	30,540,000	740,000	29,800,000
Capital leases	1,365,561	957,014	337,191	1,985,384	413,921	1,571,463
Compensated absences	3,562,293	353,774	--	3,916,067	3,916,067	--
Landfill closure/postclosure care costs	6,953,745	404,269	--	7,358,014	--	7,358,014
Total Governmental Activities	<u>\$ 68,666,599</u>	<u>\$ 93,660,057</u>	<u>\$ 14,032,191</u>	<u>\$ 148,294,465</u>	<u>\$ 7,294,988</u>	<u>\$ 140,999,477</u>

As of June 30, 2003, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities			
	Bonds Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest
2004	\$ 2,225,000	\$ 8,120,357	\$ 740,000	\$ 1,488,927
2005	2,340,000	7,938,895	570,000	1,463,451
2006	2,455,000	7,931,315	885,000	1,434,403
2007	2,585,000	7,924,767	1,470,000	1,398,263
2008	2,730,000	7,919,341	635,000	1,347,308
2009-2013	16,160,000	39,553,374	3,655,000	6,354,294
2014-2018	20,865,000	39,421,281	4,560,000	5,437,425
2019-2023	27,275,000	39,238,020	5,815,000	4,207,258
2024-2028	27,860,000	31,187,559	8,500,000	2,323,487
2029-2030	--	--	3,710,000	294,748
	<u>\$ 104,495,000</u>	<u>\$ 189,234,909</u>	<u>\$ 30,540,000</u>	<u>\$ 25,749,564</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 9: **Long-Term Liabilities** (continued)

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

New Debt

On December 19, 2002, the County issued \$91,945,000 of Taxable Pension Obligation Bonds, Refunding Series 2002 (the "2002 Bonds"). The proceeds of the 2002 Bonds were issued (i) to refund the obligation of the County to the County of Mendocino Employees' Retirement Association evidenced by the 2002 debenture, (ii) to defease a portion of the County of Mendocino Taxable Pension Obligation Bonds, Series 1996, and (iii) to pay the costs of issuance of the 2002 Bonds. The County's obligation with respect to the 2002 Bonds is an absolute and unconditional obligation imposed upon the County by law and enforceable against the County pursuant to the retirement law and payment of principal and interest on the 2002 Bonds is not limited to any special source of funds of the County. The Bonds will mature annually on July 1 of each year starting in 2004 and ending in 2026. Interest on the Bonds is payable semi-annually on January 1 and July 1 of each year, commencing July 1, 2003. Interest rates range from 2.07% to 5.77%.

Defeasance of Debt

The 2002 Bonds were issued to defease approximately fifty percent of each maturity of the \$23,795,000 outstanding principal amount of 1996 Bonds (the refunded bonds). The amount of principal defeased was \$11,245,000 and the interest was \$3,911,938, totaling \$15,156,938. Since the 2002 Bonds include partial defeasance of the 1996 Bonds and additional debt for the payment of the County's unfunded actuarial accrued liability with respect to retirement benefits for County employees, there was no economic gain or loss on the partial defeasance of the 1996 Bonds.

Debt Service Forward Agreement

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

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 9: **Long-Term Liabilities** (continued)

B. Leases

Operating Leases

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

Capital Leases

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

	<u>Governmental Activities</u>
Equipment	\$ 2,929,131
Less: accumulated amortization	<u>(672,899)</u>
Net Value	<u>\$ 2,256,232</u>

The County has entered into lease agreements for data processing systems, copy machines, and other equipment. The original cost of all leased equipment was \$2,929,131. The minimum future lease commitments on these leases are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Payments</u>
2004	\$ 490,067
2005	464,577
2006	357,448
2007	353,855
2008	258,051
2009-2011	<u>300,232</u>
Total Minimum Lease Payments	2,224,231
Less Amount Representing Interest	<u>(238,846)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,985,384</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 9: **Long-Term Liabilities** (continued)

D. 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 \$3,916,067. The entire amount was considered current, based on experience.

E. 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 \$7,358,014 reported as landfill closure/postclosure liability at June 30, 2003 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 2003. The County expects to close all landfills by the fiscal year ended June 30, 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

<u>Location</u>	<u>Ownership of Landfill</u>	<u>Percent Filled</u>	<u>Expected Closure Date</u>	<u>Estimated Liability at June 30, 2003</u>
Caspar Landfill	Mendocino County/ City of Fort Bragg	100%	Closed 2005	\$ 1,061,550 2,292,904
South Coast Landfill	Mendocino County	N/A	Closed	4,003,560
Laytonville Landfill	Mendocino County	100%	Closed	<u>\$ 7,358,014</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 9: **Long-Term Liabilities** (continued)

E. **Municipal Solid Waste Landfill Closure and Postclosure Care Costs** (continued)

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, 2003, investments of \$1,217,490 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.

Note 10: **Construction Commitments**

At June 30, 2003, the County had ongoing construction commitments that totaled approximately \$3.4 million.

Note 11: **Net Assets/Fund Balances**

Net Assets

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 11: **Net Assets/Fund Balances** (continued)

Net Assets (continued)

As of June 30, 2003, the County had the following restrictions to net assets:

Restricted for:	
Capital projects	\$ 2,648,520
Debt service	6,915,159
Other purposes	<u>5,103,944</u>
 Total	 <u>\$ 14,667,623</u>

Fund Balances

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2003, reservations of fund balance are described below:

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

The County has “reserved” fund balances as follows:

- *Reserve for Imprest Cash* was created to represent the portion of the fund balance that is not available for expenditure because the County maintains various levels of revolving funds for daily operations. The balance at June 30, 2003 was \$6,366.
- *Reserve for Encumbrances* was created to represent encumbrances outstanding at the end of the year based on purchase order and contracts signed by the County but not yet completed as of the close of the final year. The balance at June 30, 2003 was \$290,021.
- *Reserve for Debt Service and Capital Projects* was created to represent cash held with fiscal agent for debt service and capital projects. The portion of fund balance representing the reserve does not represent an available spendable resource. The balance at June 30, 2003 was \$10,754,155.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 11: **Net Assets/Fund Balances** (continued)

Fund Balances (continued)

- *Reserve for Inventory* was created to represent the balance of inventory that is not available for expenditure. The balance at June 30, 2003 was \$895,713.

Note 12: **County Employees Retirement Plan (Defined Benefit Pension Plan)**

Plan Description

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

Funding Policy

Employees of the County and the special districts contribute to the plan. County contributions for the plan's year ended June 30, 2003 were \$6,378,300 and contributions by the employees of the County and the special districts were \$4,334,027.

Annual Pension Cost

The Retirement Association uses an entry age normal method with a supplemental present value for its actuarial computations. Significant actuarial assumptions used to determine the standardized measure of the pension benefit obligations are a) a rate of return on current and future investments of 8.0 percent compounded annually, b) projected salary increases of 1.0 percent per year attributable to merit/longevity, and c) additional projected salary increases of 4.75 percent per year attributable to inflation.

The Association was audited by other auditors. The last audit performed was for the year ended June 30, 2002. An audit is in progress for the fiscal year ending June 30, 2003. The following summarized financial information is presented for the year ended June 30, 2002 (a complete financial statement of the Association is available at the Auditor-Controller's Office of the County of Mendocino).

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 12: **County Employees Retirement Plan (Defined Benefit Pension Plan)** (continued)

Annual Pension Cost (continued)

Statement of Net Assets

Current assets	\$ 4,823,286
Bond and equities	<u>137,613,288</u>
Total Assets	142,436,574
Accounts payable and other liabilities	<u>1,047,878</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 141,388,696</u>

Statement of Changes in Net Assets

Revenues	
Member contributions	\$ 4,334,027
Employer contributions	6,378,300
Investment income – net of expenses of \$241,597	(9,209,605)
Other income	<u>161,350</u>
Total Revenues	<u>1,664,072</u>
Expenses	
Retirement benefit payments	8,894,035
Refunds of contributions	506,988
Administrative and professional expenses	197,137
Health care premiums	<u>2,295,076</u>
Total Expenditures	<u>11,893,236</u>
Net Operating Income (Loss)	(10,229,164)
Net Assets – Beginning of Year	<u>151,617,860</u>
Net Assets – End of Year	<u>\$ 141,388,696</u>

Note 13: **Post-Retirement Benefits**

The County pays in accordance with County ordinance, post-retirement medical benefits for retirees who have at least ten years of County service. If the retiree has less than ten years of service, then the retiree pays a percentage of the medical benefits. The benefits paid by the County are funded on a pay-as-you-go basis. At fiscal year end, there were 690 County retirees, of which, 481 received healthcare benefits totaling \$2,271,076 for the year ended June 30, 2003.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 14: **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, 2003, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

Note 15: **Risk Management**

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

A. **Unemployment Insurance**

The County is fully self-insured for this program. The estimated claims liability at fiscal year end was \$608,854.

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 15: **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, 2003, 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 \$1,043,667 includes incurred but not reported claims.

The County maintains an SIR of \$200,000 per occurrence for this program. Losses which exceed the SIR are covered by an excess insurance policy purchased through CSAC-Excess Insurance Authority. The County contracts with Claims Management, Inc., a third party administrator, to provide claims services for the program. The liability for unpaid claims was based on an actuarial study prepared by Pacific Actuarial Consultants. The liability is based on the estimated ultimate cost of settling the claims within the program’s self-insured retention. The County has elected to become fully insured through CSAC-Excess Insurance Authority on July 1, 1997.

C. Health Insurance

The County is fully self-insured and administers the program. The County has hired Driver Alliant as a health plan consultant/actuary to review the health plan on an annual basis, and determine by how much County and employee share in premiums should be increased. The estimated claims liability at fiscal year end was \$1,380,000.

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

	Unemployment Insurance	General Liability Insurance	Health Insurance	Total
Claims liability, 07/01/01	\$ --	\$ 312,292	\$ --	\$ 312,292
Current year claims and changes in estimates	--	304,154	9,427,736	9,731,890
Claims payments	--	(407,873)	(8,080,736)	(8,488,609)
Claims liability, 06/30/02 as restated	<u>\$ --</u>	<u>\$ 208,573</u>	<u>\$ 1,347,000</u>	<u>\$ 1,555,573</u>
Claims liability, 07/01/02	\$ --	\$ 208,573	\$ 1,347,000	\$ 1,555,573
Current year claims and changes in estimates	806,340	1,311,116	9,722,759	11,840,215
Claims payments	(917,486)	(476,022)	(9,689,759)	(10,363,267)
Claims liability, 06/30/03	<u>\$ 608,854</u>	<u>\$ 1,043,667</u>	<u>\$ 1,380,000</u>	<u>\$ 3,032,521</u>

COUNTY OF MENDOCINO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 16: **Excess Expenditures Over Budget**

The following funds had excess expenditures over budget:

	<u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Library	\$ 1,159,126	\$ 1,210,845	\$ 51,719
Mobile Spay and Neuter	41,100	53,772	12,672
Museum Bookstore and Special Projects	59,239	70,733	11,494
Meadowbrook Manor Station	500	6,278	5,778
Mendocino County Water Agency	304,062	308,870	4,808
Debt Service	2,050,956	2,088,819	37,863
Pension Obligation Bonds	3,705,692	84,360,528	80,654,836
Vehicle Replacement	516,555	590,521	73,966
Unemployment Insurance	101,500	198,506	97,006
General Liability Insurance	893,959	1,910,287	1,016,328
Health Insurance	8,326,927	10,161,942	1,835,015
Software Acquisition	260,945	286,782	25,837

Note 17: **Subsequent Events**

On July 1, 2003, the County issued a \$22,180,314 tax and revenue anticipation note. The funds were budgeted for operations. The note is due and payable June 25, 2004 and carries a 2.0% interest rate.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MENDOCINO

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2003**

SCHEDULE OF FUNDING PROGRESS

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

<u>Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/00	\$ 185,423,000	\$ 150,056,000	\$ 35,367,000	80.9%	\$ 44,132,000	80.1%
6/30/01	204,699,000	157,545,000	47,154,000	77.0%	53,188,000	88.7%
6/30/02	226,883,000	158,115,000	68,768,000	69.7%	57,701,000	119.2%

COUNTY OF MENDOCINO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balances, July 1	\$ 9,251,160	\$ 9,251,160	\$ 9,251,160	\$ --
Resources (inflows):				
Taxes	36,465,313	36,465,313	34,294,502	(2,170,811)
Licenses and permits	2,371,261	2,371,261	2,534,960	163,699
Fines, forfeits and penalties	1,579,078	1,609,078	1,441,837	(167,241)
Revenue from use of money and property	2,950,792	2,950,792	1,096,848	(1,853,944)
Aid from other governments	79,618,467	79,738,467	75,690,560	(4,047,907)
Charges for services	9,664,508	9,585,723	9,834,119	248,396
Miscellaneous revenue	3,750,101	4,106,166	8,394,963	4,288,797
Other financing sources	1,513,715	1,513,715	1,151,318	(362,397)
Amounts available for appropriation	<u>137,913,235</u>	<u>138,340,515</u>	<u>134,439,107</u>	<u>(3,901,408)</u>
Charges to appropriations (outflows):				
Current:				
General government	16,387,180	16,537,604	12,805,806	3,731,798
Public protection	37,343,165	37,400,554	36,446,839	953,715
Public way and facilities	79,601	179,601	75,336	104,265
Health and sanitation	26,847,257	27,005,771	24,649,282	2,356,489
Public assistance	51,895,290	51,895,290	49,155,912	2,739,378
Education	225,148	225,148	212,893	12,255
Recreation and cultural services	259,981	260,981	246,290	14,691
Debt service - interest	--	--	891,964	(891,964)
Capital outlay	--	--	916,493	(916,493)
Other financing uses	5,847,035	6,198,661	9,053,388	(2,854,727)
Total charges to appropriations	<u>138,884,657</u>	<u>139,703,610</u>	<u>134,454,203</u>	<u>5,249,407</u>
Budgetary fund balances, June 30	<u>\$ 8,279,738</u>	<u>\$ 7,888,065</u>	<u>\$ 9,236,064</u>	<u>\$ 1,347,999</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement \$ 134,439,107

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for budgetary purposes (1,151,318)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 133,287,789

continued

COUNTY OF MENDOCINO

**Budgetary Comparison Schedule (continued)
General Fund
For the Year Ended June 30, 2003**

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 134,454,203
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes	(9,053,388)
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>(105,687)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 125,295,128</u></u>

COUNTY OF MENDOCINO

Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Budgetary fund balances, July 1	\$ 3,298,621	\$ 3,298,621	\$ 3,298,621	\$ --
Resources (inflows):				
Revenue from use of money and property	62,000	62,000	80,269	18,269
Charges for services	--	--	--	--
Other financing sources	<u>1,221,469</u>	<u>1,221,469</u>	<u>1,137,146</u>	<u>(84,323)</u>
Amounts available for appropriation	<u>1,283,469</u>	<u>1,283,469</u>	<u>1,217,415</u>	<u>(66,054)</u>
Charges to appropriations (outflows):				
Current:				
General government	13,185	13,185	33,366	(20,181)
Debt service - principal	525,000	525,000	525,000	--
Debt service - interest	1,512,771	1,512,771	1,530,453	(17,682)
Cost of debt issuance	--	--	--	--
Other financing uses	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total charges to appropriations	<u>2,050,956</u>	<u>2,050,956</u>	<u>2,088,819</u>	<u>(37,863)</u>
Budgetary fund balances, June 30	<u>\$ 2,531,134</u>	<u>\$ 2,531,134</u>	<u>\$ 2,427,217</u>	<u>\$ (103,917)</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement				\$ 1,217,415
Differences - budget to GAAP:				
Debt issuance is an inflow of budgetary resources but is not revenue for budgetary purposes				<u>(1,137,146)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 80,269</u>

COUNTY OF MENDOCINO

Budgetary Comparison Schedule
Pension Obligation Bonds Fund
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 3,170,117	\$ 3,170,117	\$ 3,170,117	\$ --
Resources (inflows):				
Revenue from use of money and property	--	--	20,583	20,583
Charges for services	4,650,000	4,650,000	4,536,970	(113,030)
Other financing sources	--	--	91,945,000	91,945,000
Amounts available for appropriation	<u>4,650,000</u>	<u>4,650,000</u>	<u>96,502,553</u>	<u>91,852,553</u>
Charges to appropriations (outflows):				
Current:				
General government	7,500	7,500	77,424,237	(77,416,737)
Debt service - principal	1,925,000	1,925,000	1,925,000	--
Debt service - interest	1,773,192	1,773,192	2,585,352	(812,160)
Cost of debt issuance	--	--	2,425,939	(2,425,939)
Other financing uses	--	--	11,245,000	(11,245,000)
Total charges to appropriations	<u>3,705,692</u>	<u>3,705,692</u>	<u>95,605,528</u>	<u>(91,899,836)</u>
Budgetary fund balances, June 30	<u>\$ 4,114,425</u>	<u>\$ 4,114,425</u>	<u>\$ 4,067,142</u>	<u>\$ (47,283)</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement \$ 96,502,553

Differences - budget to GAAP:

 Debt issuance is an inflow of budgetary resources but is not revenue for budgetary purposes (91,945,000)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 4,557,553

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 95,605,528

Differences - budget to GAAP:

 Payment to refunded debt escrow agent is an outflow of budgetary resources but is not an expenditure for budgetary purposes (11,245,000)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 84,360,528

COUNTY OF MENDOCINO

Note to Required Supplementary Information For the Year Ended June 30, 2003

BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

The budgets for the governmental funds may include an object level known as "intrafund transfers" in the charges for appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

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

SUPPLEMENTAL INFORMATION

COUNTY OF MENDOCINO

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments in County Treasury	\$ 3,630,418	\$ 1,819,764	\$ --	\$ 5,450,182
Restricted cash:				
Cash held with fiscal agent	--	1,026,070	--	1,026,070
Imprest cash	467	--	--	467
Due from other funds	1,099,204	--	--	1,099,204
Accounts receivable	1,240,744	--	--	1,240,744
Inventory of supplies, at cost	598,729	--	--	598,729
Total Assets	<u>\$ 6,569,562</u>	<u>\$ 2,845,834</u>	<u>\$ --</u>	<u>\$ 9,415,396</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 219,279	\$ 197,314	\$ 20,277	\$ 436,870
Accrued salaries and benefits	168,081	--	--	168,081
Due to other funds	17,157	--	265,489	282,646
Matured principal and interest payable	--	--	--	--
Deferred revenues	1,099,204	--	--	1,099,204
Total Liabilities	<u>1,503,721</u>	<u>197,314</u>	<u>285,766</u>	<u>1,986,801</u>
 Fund Balances:				
Reserved for:				
Encumbrances	182,598	--	--	182,598
Inventory	598,729	--	--	598,729
Imprest cash	467	--	--	467
Debt service	--	--	--	--
Capital projects	--	1,026,070	--	1,026,070
Unreserved, reported in:				
Special revenue funds	4,284,047	--	--	4,284,047
Debt service funds	--	--	(285,766)	(285,766)
Capital project funds	--	1,622,450	--	1,622,450
Total Equities	<u>5,065,841</u>	<u>2,648,520</u>	<u>(285,766)</u>	<u>7,428,595</u>
 Total Liabilities and Fund Balances	 <u>\$ 6,569,562</u>	 <u>\$ 2,845,834</u>	 <u>\$ --</u>	 <u>\$ 9,415,396</u>

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2003

	Special Revenue	Capital Projects	Debt Service	Total
Revenues:				
Taxes	\$ 302,128	\$ --	\$ --	\$ 302,128
Licenses, permits and franchises	251,455	--	--	251,455
Fines, forfeitures and penalties	218,980	--	--	218,980
Revenue from use of money and property	64,756	43,824	(2,854)	105,726
Aid from other governmental agencies	17,685,465	831,760	--	18,517,225
Charges for services	326,616	--	--	326,616
Other revenue	220,241	58,393	--	278,634
Total Revenues	<u>19,069,641</u>	<u>933,977</u>	<u>(2,854)</u>	<u>20,000,764</u>
Expenditures:				
Current:				
General government	207,743	--	119,417	327,160
Public protection	2,646,263	--	--	2,646,263
Public ways and facilities	8,300,980	--	--	8,300,980
Health and sanitation	3,842,326	--	--	3,842,326
Public assistance	3,245,336	--	--	3,245,336
Education	1,203,781	--	--	1,203,781
Recreation and culture services	65,014	--	--	65,014
Debt service - principal	--	--	--	--
Debt service - interest	--	--	--	--
Capital outlay	1,098,894	3,198,029	--	4,296,923
Total Expenditures	<u>20,610,337</u>	<u>3,198,029</u>	<u>119,417</u>	<u>23,927,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,540,696)</u>	<u>(2,264,052)</u>	<u>(122,271)</u>	<u>(3,927,019)</u>
Other Financing Sources (Uses):				
Issuance of new debt	505,281	--	--	505,281
Sale of capital assets	56,251	--	--	56,251
Transfers In	4,833,045	293,000	--	5,126,045
Transfers Out	(1,252,628)	--	--	(1,252,628)
Total Other Financing Sources (Uses)	<u>4,141,949</u>	<u>293,000</u>	<u>--</u>	<u>4,434,949</u>
Net Change in Fund Balances	<u>2,601,253</u>	<u>(1,971,052)</u>	<u>(122,271)</u>	<u>507,930</u>
Fund Balances, Beginning	2,285,025	4,619,572	(163,495)	6,741,102
Prior period adjustment	179,563	--	--	179,563
Fund Balances, Beginning, as Restated	<u>2,464,588</u>	<u>4,619,572</u>	<u>(163,495)</u>	<u>6,920,665</u>
Fund Balances, Ending	<u>\$ 5,065,841</u>	<u>\$ 2,648,520</u>	<u>\$ (285,766)</u>	<u>\$ 7,428,595</u>

COUNTY OF MENDOCINO

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	<u>Road</u>	Accumulative Capital Outlay	<u>Library</u>	<u>Fish and Game</u>	<u>Special Aviation</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 333,416	\$ 488,805	\$ 102,460	\$ 157,477	\$ 207,920
Imprest cash	50	--	217	--	--
Due from other funds	--	--	--	--	--
Accounts receivable	1,148,649	--	47,408	--	--
Inventory of supplies, at cost	598,729	--	--	--	--
Total Assets	<u>\$ 2,080,844</u>	<u>\$ 488,805</u>	<u>\$ 150,085</u>	<u>\$ 157,477</u>	<u>\$ 207,920</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 99,063	\$ 77,849	\$ 14,815	\$ --	\$ --
Accrued salaries and benefits	105,521	--	20,377	--	--
Due to other funds	--	--	--	--	--
Deferred revenues	--	--	--	--	--
Total Liabilities	<u>204,584</u>	<u>77,849</u>	<u>35,192</u>	<u>--</u>	<u>--</u>
Fund Balances:					
Reserved for:					
Encumbrances	53,968	--	--	--	88,282
Inventory	598,729	--	--	--	--
Imprest cash	50	--	217	--	--
Unreserved:					
Undesignated	<u>1,223,513</u>	<u>410,956</u>	<u>114,676</u>	<u>157,477</u>	<u>119,638</u>
Total Fund Balances	<u>1,876,260</u>	<u>410,956</u>	<u>114,893</u>	<u>157,477</u>	<u>207,920</u>
Total Liabilities and Fund Balances	<u>\$ 2,080,844</u>	<u>\$ 488,805</u>	<u>\$ 150,085</u>	<u>\$ 157,477</u>	<u>\$ 207,920</u>

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2003

	<u>Supplemental Law Enforcement</u>	<u>COPS AB 1913</u>	<u>Sheriff Special Projects</u>	<u>Mobile Spay/ Neuter</u>	<u>Museum Bookstore/ Projects</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 14,707	\$ 330,810	\$ 380,887	\$ 15,537	\$ 100,114
Imprest cash	--	--	--	--	--
Due from other funds	--	--	--	--	--
Accounts receivable	--	--	--	4,738	3,759
Inventory of supplies, at cost	--	--	--	--	--
Total Assets	<u>\$ 14,707</u>	<u>\$ 330,810</u>	<u>\$ 380,887</u>	<u>\$ 20,275</u>	<u>\$ 103,873</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 1,602	\$ 868	\$ 3,843	\$ --	\$ 4,187
Accrued salaries and benefits	881	3,300	--	--	--
Due to other funds	--	--	--	--	--
Deferred revenues	--	--	--	--	--
Total Liabilities	<u>2,483</u>	<u>4,168</u>	<u>3,843</u>	<u>--</u>	<u>4,187</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	40,348	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Unreserved:					
Undesignated	<u>12,224</u>	<u>286,294</u>	<u>377,044</u>	<u>20,275</u>	<u>99,686</u>
Total Fund Balances	<u>12,224</u>	<u>326,642</u>	<u>377,044</u>	<u>20,275</u>	<u>99,686</u>
Total Liabilities and Fund Balances	<u>\$ 14,707</u>	<u>\$ 330,810</u>	<u>\$ 380,887</u>	<u>\$ 20,275</u>	<u>\$ 103,873</u>

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2003

	<u>Recorder</u>		<u>Assessor</u>	
	<u>Modernization</u>	<u>Micrographics</u>		<u>Realignment</u>
<u>Assets</u>				
Cash and investments in County Treasury	\$ 349,855	\$ --	\$ 46,256	\$ --
Imprest cash	--	--	--	--
Due from other funds	--	--	--	1,099,204
Accounts receivable	2,562	1,079	--	--
Inventory of supplies, at cost	--	--	--	--
Total Assets	<u>\$ 352,417</u>	<u>\$ 1,079</u>	<u>\$ 46,256</u>	<u>\$ 1,099,204</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ 44	\$ --
Accrued salaries and benefits	--	1,076	--	--
Due to other funds	--	--	4,060	--
Deferred revenues	--	--	--	1,099,204
Total Liabilities	<u>--</u>	<u>1,076</u>	<u>4,104</u>	<u>1,099,204</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	--
Inventory	--	--	--	--
Imprest cash	--	--	--	--
Unreserved:				
Undesignated	<u>352,417</u>	<u>3</u>	<u>42,152</u>	<u>--</u>
Total Fund Balances	<u>352,417</u>	<u>3</u>	<u>42,152</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 352,417</u>	<u>\$ 1,079</u>	<u>\$ 46,256</u>	<u>\$ 1,099,204</u>

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2003

	<u>Redwood Valley Park Endowment</u>	<u>Walker Endowment</u>	<u>Fort Bragg Library Endowment</u>	<u>Museum Endowment</u>
<u>Assets</u>				
Cash and investments in County Treasury	\$ 62,081	\$ 3,468	\$ 26,455	\$ 124,333
Imprest cash	--	--	--	--
Due from other funds	--	--	--	--
Accounts receivable	--	--	--	--
Inventory of supplies, at cost	--	--	--	--
Total Assets	<u>\$ 62,081</u>	<u>\$ 3,468</u>	<u>\$ 26,455</u>	<u>\$ 124,333</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Accrued salaries and benefits	--	--	--	--
Due to other funds	--	--	--	--
Deferred revenues	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	--
Inventory	--	--	--	--
Imprest cash	--	--	--	--
Unreserved:				
Undesignated	<u>62,081</u>	<u>3,468</u>	<u>26,455</u>	<u>124,333</u>
Total Fund Balances	<u>62,081</u>	<u>3,468</u>	<u>26,455</u>	<u>124,333</u>
 Total Liabilities and Fund Balances	 <u>\$ 62,081</u>	 <u>\$ 3,468</u>	 <u>\$ 26,455</u>	 <u>\$ 124,333</u>

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2003

	<u>Ukiah Library Endowment</u>	<u>Low Gap Park Endowment</u>	<u>Bookmobile Endowment</u>	<u>Willits Library Endowment</u>	<u>Mobile Spay/Neuter Endowment</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 134,448	\$ 24,159	\$ 6,107	\$ 5,147	\$ 12,143
Imprest cash	--	--	--	--	--
Due from other funds	--	--	--	--	--
Accounts receivable	--	--	--	--	--
Inventory of supplies, at cost	--	--	--	--	--
Total Assets	<u>\$ 134,448</u>	<u>\$ 24,159</u>	<u>\$ 6,107</u>	<u>\$ 5,147</u>	<u>\$ 12,143</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued salaries and benefits	--	--	--	--	--
Due to other funds	--	--	--	--	--
Deferred revenues	--	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Unreserved:					
Undesignated	<u>134,448</u>	<u>24,159</u>	<u>6,107</u>	<u>5,147</u>	<u>12,143</u>
Total Fund Balances	<u>134,448</u>	<u>24,159</u>	<u>6,107</u>	<u>5,147</u>	<u>12,143</u>
Total Liabilities and Fund Balances	<u>\$ 134,448</u>	<u>\$ 24,159</u>	<u>\$ 6,107</u>	<u>\$ 5,147</u>	<u>\$ 12,143</u>

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2003

	<u>Miscellaneous Grants</u>	<u>Special Districts Lighting</u>	<u>Special Districts Other</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments in County Treasury	\$ 161,190	\$ 111,286	\$ 431,357	\$ 3,630,418
Imprest cash	100	--	100	467
Due from other funds	--	--	--	1,099,204
Accounts receivable	--	--	32,549	1,240,744
Inventory of supplies, at cost	--	--	--	598,729
Total Assets	<u>\$ 161,290</u>	<u>\$ 111,286</u>	<u>\$ 464,006</u>	<u>\$ 6,569,562</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 8,265	\$ --	\$ 8,743	\$ 219,279
Accrued salaries and benefits	21,530	--	15,396	168,081
Due to other funds	--	13,097	--	17,157
Deferred revenues	--	--	--	1,099,204
Total Liabilities	<u>29,795</u>	<u>13,097</u>	<u>24,139</u>	<u>1,503,721</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	182,598
Inventory	--	--	--	598,729
Imprest cash	100	--	100	467
Unreserved:				
Undesignated	<u>131,395</u>	<u>98,189</u>	<u>439,767</u>	<u>4,284,047</u>
Total Fund Balances	<u>131,495</u>	<u>98,189</u>	<u>439,867</u>	<u>5,065,841</u>
Total Liabilities and Fund Balances	<u>\$ 161,290</u>	<u>\$ 111,286</u>	<u>\$ 464,006</u>	<u>\$ 6,569,562</u>

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	Road	Accumulative Capital Outlay	Library	Fish and Game	Special Aviation
Revenues:					
Taxes	\$ 172,485	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	73,442	--	--	--	--
Fines, forfeitures and penalties	65,565	97,530	--	21,751	--
Revenue from use of money and property	6,227	3,920	4,465	2,141	--
Aid from other governmental agencies	5,465,921	9,705	318,328	--	73,000
Charges for services	51,315	--	23,120	--	--
Other revenue	30,440	2,462	39,368	--	--
Total Revenues	<u>5,865,395</u>	<u>113,617</u>	<u>385,281</u>	<u>23,892</u>	<u>73,000</u>
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	--	--	--	5,521	--
Public ways and facilities	8,209,550	--	--	--	55,430
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	1,203,781	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	58,980	754,567	7,064	--	--
Total Expenditures	<u>8,268,530</u>	<u>754,567</u>	<u>1,210,845</u>	<u>5,521</u>	<u>55,430</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,403,135)</u>	<u>(640,950)</u>	<u>(825,564)</u>	<u>18,371</u>	<u>17,570</u>
Other Financing Sources (Uses):					
Issuance of new debt	505,281	--	--	--	--
Sale of capital assets	56,251	--	--	--	--
Transfers In	2,941,723	988,600	784,560	--	--
Transfers Out	(204,205)	--	(34,093)	--	--
Total Other Financing Sources (Uses)	<u>3,299,050</u>	<u>988,600</u>	<u>750,467</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>895,915</u>	<u>347,650</u>	<u>(75,097)</u>	<u>18,371</u>	<u>17,570</u>
Fund Balances, Beginning	980,345	63,306	189,990	139,106	190,350
Prior period adjustment	--	--	--	--	--
Fund Balances, Beginning, as Restated	<u>980,345</u>	<u>63,306</u>	<u>189,990</u>	<u>139,106</u>	<u>190,350</u>
Fund Balances, Ending	<u>\$ 1,876,260</u>	<u>\$ 410,956</u>	<u>\$ 114,893</u>	<u>\$ 157,477</u>	<u>\$ 207,920</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	Supplemental Law Enforcement	COPS AB 1913	Sheriff Special Projects	Mobile Spay/ Neuter	Museum Bookstore/ Projects
Revenues:					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--	--
Revenue from use of money and property	696	4,323	12,943	403	1,375
Aid from other governmental agencies	147,998	291,366	500,000	--	--
Charges for services	--	--	--	--	--
Other revenue	--	--	7,728	42,979	51,554
Total Revenues	<u>148,694</u>	<u>295,689</u>	<u>520,671</u>	<u>43,382</u>	<u>52,929</u>
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	134,333	292,264	6,356	53,772	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	65,014
Capital outlay	30,617	2,798	19,591	--	5,719
Total Expenditures	<u>164,950</u>	<u>295,062</u>	<u>25,947</u>	<u>53,772</u>	<u>70,733</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,256)</u>	<u>627</u>	<u>494,724</u>	<u>(10,390)</u>	<u>(17,804)</u>
Other Financing Sources (Uses):					
Issuance of new debt	--	--	--	--	--
Sale of capital assets	--	--	--	--	--
Transfers In	--	--	--	10,000	--
Transfers Out	(650)	--	(747,412)	--	--
Total Other Financing Sources (Uses)	<u>(650)</u>	<u>--</u>	<u>(747,412)</u>	<u>10,000</u>	<u>--</u>
Net Change in Fund Balances	<u>(16,906)</u>	<u>627</u>	<u>(252,688)</u>	<u>(390)</u>	<u>(17,804)</u>
Fund Balances, Beginning	29,130	326,015	629,732	20,665	117,490
Prior period adjustment	--	--	--	--	--
Fund Balances, Beginning, as Restated	<u>29,130</u>	<u>326,015</u>	<u>629,732</u>	<u>20,665</u>	<u>117,490</u>
Fund Balances, Ending	<u>\$ 12,224</u>	<u>\$ 326,642</u>	<u>\$ 377,044</u>	<u>\$ 20,275</u>	<u>\$ 99,686</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	Recorder Modernization	Micrographics	Assessor	Realignment
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	4,455	234	2,327	--
Aid from other governmental agencies	--	--	160,435	--
Charges for services	157,290	32,844	--	--
Other revenue	--	30,962	14,252	--
Total Revenues	<u>161,745</u>	<u>64,040</u>	<u>177,014</u>	<u>--</u>
Expenditures:				
Current:				
General government	63,100	84,967	59,676	--
Public protection	--	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Recreation and culture services	--	--	--	--
Capital outlay	11,960	--	2,078	--
Total Expenditures	<u>75,060</u>	<u>84,967</u>	<u>61,754</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>86,685</u>	<u>(20,927)</u>	<u>115,260</u>	<u>--</u>
Other Financing Sources (Uses):				
Issuance of new debt	--	--	--	--
Sale of capital assets	--	--	--	--
Transfers In	--	502	--	--
Transfers Out	(502)	--	(116,673)	--
Total Other Financing Sources (Uses)	<u>(502)</u>	<u>502</u>	<u>(116,673)</u>	<u>--</u>
Net Change in Fund Balances	<u>86,183</u>	<u>(20,425)</u>	<u>(1,413)</u>	<u>--</u>
Fund Balances, Beginning	266,234	20,428	43,565	--
Prior period adjustment	--	--	--	--
Fund Balances, Beginning, as Restated	<u>266,234</u>	<u>20,428</u>	<u>43,565</u>	<u>--</u>
Fund Balances, Ending	<u>\$ 352,417</u>	<u>\$ 3</u>	<u>\$ 42,152</u>	<u>\$ --</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	Redwood Valley Park Endowment	Walker Endowment	Fort Bragg Library Endowment	Museum Endowment
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	877	49	373	8,705
Aid from other governmental agencies	--	--	--	--
Charges for services	--	--	--	--
Other revenue	--	--	--	--
Total Revenues	<u>877</u>	<u>49</u>	<u>373</u>	<u>8,705</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Recreation and culture services	--	--	--	--
Capital outlay	--	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>877</u>	<u>49</u>	<u>373</u>	<u>8,705</u>
Other Financing Sources (Uses):				
Issuance of new debt	--	--	--	--
Sale of capital assets	--	--	--	--
Transfers In	--	--	--	--
Transfers Out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>877</u>	<u>49</u>	<u>373</u>	<u>8,705</u>
Fund Balances, Beginning	61,204	3,419	26,082	115,628
Prior period adjustment	--	--	--	--
Fund Balances, Beginning, as Restated	<u>61,204</u>	<u>3,419</u>	<u>26,082</u>	<u>115,628</u>
Fund Balances, Ending	<u>\$ 62,081</u>	<u>\$ 3,468</u>	<u>\$ 26,455</u>	<u>\$ 124,333</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	Ukiah Library Endowment	Low Gap Park Endowment	Bookmobile Endowment	Willits Library Endowment	Mobile Spay/Neuter Endowment
Revenues:					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--	--
Revenue from use of money and property	1,898	341	86	72	44
Aid from other governmental agencies	--	--	--	--	--
Charges for services	--	--	--	--	--
Other revenue	--	--	--	--	--
Total Revenues	<u>1,898</u>	<u>341</u>	<u>86</u>	<u>72</u>	<u>44</u>
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	--	--	--	--	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	--	--	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,898</u>	<u>341</u>	<u>86</u>	<u>72</u>	<u>44</u>
Other Financing Sources (Uses):					
Issuance of new debt	--	--	--	--	--
Sale of capital assets	--	--	--	--	--
Transfers In	--	--	--	--	--
Transfers Out	--	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>1,898</u>	<u>341</u>	<u>86</u>	<u>72</u>	<u>44</u>
Fund Balances, Beginning	--	--	--	--	--
Prior period adjustment	132,550	23,818	6,021	5,075	12,099
Fund Balances, Beginning, as Restated	<u>132,550</u>	<u>23,818</u>	<u>6,021</u>	<u>5,075</u>	<u>12,099</u>
Fund Balances, Ending	<u>\$ 134,448</u>	<u>\$ 24,159</u>	<u>\$ 6,107</u>	<u>\$ 5,147</u>	<u>\$ 12,143</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	<u>Miscellaneous Grants</u>	<u>Special Districts Lighting</u>	<u>Special Districts Other</u>	<u>Total</u>
Revenues:				
Taxes	\$ --	\$ 43,845	\$ 85,798	\$ 302,128
Licenses, permits and franchises	--	--	178,013	251,455
Fines, forfeitures and penalties	--	--	34,134	218,980
Revenue from use of money and property	--	--	8,802	64,756
Aid from other governmental agencies	10,313,594	767	404,351	17,685,465
Charges for services	--	--	62,047	326,616
Other revenue	--	--	496	220,241
Total Revenues	<u>10,313,594</u>	<u>44,612</u>	<u>773,641</u>	<u>19,069,641</u>
Expenditures:				
Current:				
General government	--	--	--	207,743
Public protection	1,847,204	--	306,813	2,646,263
Public ways and facilities	--	36,000	--	8,300,980
Health and sanitation	3,235,091	--	607,235	3,842,326
Public assistance	3,245,336	--	--	3,245,336
Education	--	--	--	1,203,781
Recreation and culture services	--	--	--	65,014
Capital outlay	151,453	--	54,067	1,098,894
Total Expenditures	<u>8,479,084</u>	<u>36,000</u>	<u>968,115</u>	<u>20,610,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,834,510</u>	<u>8,612</u>	<u>(194,474)</u>	<u>(1,540,696)</u>
Other Financing Sources (Uses):				
Issuance of new debt	--	--	--	505,281
Sale of capital assets	--	--	--	56,251
Transfers In	--	--	107,660	4,833,045
Transfers Out	(12,500)	--	(136,593)	(1,252,628)
Total Other Financing Sources (Uses)	<u>(12,500)</u>	<u>--</u>	<u>(28,933)</u>	<u>4,141,949</u>
Net Change in Fund Balances	<u>1,822,010</u>	<u>8,612</u>	<u>(223,407)</u>	<u>2,601,253</u>
Fund Balances, Beginning	(1,690,515)	89,577	663,274	2,285,025
Prior period adjustment	--	--	--	179,563
Fund Balances, Beginning, as Restated	<u>(1,690,515)</u>	<u>89,577</u>	<u>663,274</u>	<u>2,464,588</u>
Fund Balances, Ending	<u>\$ 131,495</u>	<u>\$ 98,189</u>	<u>\$ 439,867</u>	<u>\$ 5,065,841</u>

COUNTY OF MENDOCINO

Combining Balance Sheet
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors
 June 30, 2003

	Alexander Estates	Covelo	Fairview Acres	Hopland
<u>Assets</u>				
Cash and investments in County treasury	\$ --	\$ 6,464	\$ 4,064	\$ 31,508
Total Assets	\$ --	\$ 6,464	\$ 4,064	\$ 31,508
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ 12,611	\$ --	\$ --	\$ --
Total Liabilities	12,611	--	--	--
Fund Balances:				
Unreserved:				
Undesignated	(12,611)	6,464	4,064	31,508
Total Fund Balances	(12,611)	6,464	4,064	31,508
Total Liabilities and Fund Balances	\$ --	\$ 6,464	\$ 4,064	\$ 31,508

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors
 June 30, 2003

	<u>Laytonville</u>	<u>Noyo</u>	<u>Oak Knoll</u>	<u>Riverwood Terrace</u>
<u>Assets</u>				
Cash and investments in County treasury	\$ 6,192	\$ --	\$ 29,606	\$ 6,934
Total Assets	\$ 6,192	\$ --	\$ 29,606	\$ 6,934
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ --	\$ 486	\$ --	\$ --
Total Liabilities	--	486	--	--
Fund Balances:				
Unreserved:				
Undesignated	6,192	(486)	29,606	6,934
Total Fund Balances	6,192	(486)	29,606	6,934
Total Liabilities and Fund Balances	\$ 6,192	\$ --	\$ 29,606	\$ 6,934

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors
 June 30, 2003

	Ukiah Village	West Talmage	Total
<u>Assets</u>			
Cash and investments in County treasury	\$ 16,152	\$ 10,366	\$ 111,286
Total Assets	\$ 16,152	\$ 10,366	\$ 111,286
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ --	\$ --	\$ 13,097
Total Liabilities	--	--	13,097
Fund Balances:			
Unreserved:			
Undesignated	16,152	10,366	98,189
Total Fund Balances	16,152	10,366	98,189
Total Liabilities and Fund Balances	\$ 16,152	\$ 10,366	\$ 111,286

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Lighting Special Districts Governed by the Board of Supervisors
For the Year Ended June 30, 2003

	<u>Alexander</u> <u>Estates</u>	<u>Covelo</u>	<u>Fairview</u> <u>Acres</u>	<u>Hopland</u>
Revenues:				
Taxes	\$ 6,160	\$ 5,496	\$ 1,292	\$ 10,028
Aid from other governmental agencies	106	90	22	173
Total Revenues	<u>6,266</u>	<u>5,586</u>	<u>1,314</u>	<u>10,201</u>
Expenditures:				
Current:				
Public ways and facilities	<u>8,133</u>	<u>5,149</u>	<u>897</u>	<u>5,484</u>
Total Expenditures	<u>8,133</u>	<u>5,149</u>	<u>897</u>	<u>5,484</u>
Net change in fund balances	(1,867)	437	417	4,717
Fund Balances, Beginning	<u>(10,744)</u>	<u>6,027</u>	<u>3,647</u>	<u>26,791</u>
Fund Balances, Ending	<u>\$ (12,611)</u>	<u>\$ 6,464</u>	<u>\$ 4,064</u>	<u>\$ 31,508</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances (continued)
Nonmajor Lighting Special Districts Governed by the Board of Supervisors
For the Year Ended June 30, 2003

	<u>Laytonville</u>	<u>Noyo</u>	<u>Oak Knoll</u>	<u>Riverwood Terrance</u>
Revenues:				
Taxes	\$ 2,812	\$ 1,599	\$ 6,323	\$ 1,729
Aid from other governmental agencies	46	44	110	30
Total Revenues	<u>2,858</u>	<u>1,643</u>	<u>6,433</u>	<u>1,759</u>
Expenditures:				
Current:				
Public ways and facilities	<u>2,455</u>	<u>3,234</u>	<u>3,809</u>	<u>691</u>
Total Expenditures	<u>2,455</u>	<u>3,234</u>	<u>3,809</u>	<u>691</u>
Net change in fund balances	403	(1,591)	2,624	1,068
Fund Balances, Beginning	<u>5,789</u>	<u>1,105</u>	<u>26,982</u>	<u>5,866</u>
Fund Balances, Ending	<u>\$ 6,192</u>	<u>\$ (486)</u>	<u>\$ 29,606</u>	<u>\$ 6,934</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances (continued)
Nonmajor Lighting Special Districts Governed by the Board of Supervisors
For the Year Ended June 30, 2003

	<u>Ukiah Village</u>	<u>West Talmage</u>	<u>Total</u>
Revenues:			
Taxes	\$ 5,824	\$ 2,582	\$ 43,845
Aid from other governmental agencies	101	45	767
Total Revenues	<u>5,925</u>	<u>2,627</u>	<u>44,612</u>
Expenditures:			
Current:			
Public ways and facilities	<u>4,423</u>	<u>1,725</u>	<u>36,000</u>
Total Expenditures	<u>4,423</u>	<u>1,725</u>	<u>36,000</u>
Net change in fund balances	1,502	902	8,612
Fund Balances, Beginning	<u>14,650</u>	<u>9,464</u>	<u>89,577</u>
Fund Balances, Ending	<u>\$ 16,152</u>	<u>\$ 10,366</u>	<u>\$ 98,189</u>

COUNTY OF MENDOCINO

Combining Balance Sheet
 Nonmajor Other Special Districts Governed by the Board of Supervisors
 June 30, 2003

	<u>Meadowbrook Manor Station</u>	<u>Mendocino County Water Agency</u>
<u>Assets</u>		
Cash and investments in County Treasury	\$ 10,431	\$ 27,065
Imprest cash	--	--
Accounts receivable	--	3,433
Total Assets	<u>\$ 10,431</u>	<u>\$ 30,498</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Vouchers and accounts payable	\$ --	\$ 8,743
Accrued salaries and benefits	--	5,178
Total Liabilities	<u>--</u>	<u>13,921</u>
Fund Balances:		
Reserved:		
Imprest cash	--	--
Unreserved:		
Undesignated	10,431	16,577
Total Fund Balances	<u>10,431</u>	<u>16,577</u>
Total Liabilities and Fund Balances	<u>\$ 10,431</u>	<u>\$ 30,498</u>

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
 Nonmajor Other Special Districts Governed by the Board of Supervisors
 June 30, 2003

	<u>Air Quality Management</u>	<u>Total</u>
<u>Assets</u>		
Cash and investments in County Treasury	\$ 393,861	\$ 431,357
Imprest cash	100	100
Accounts receivable	29,116	32,549
Total Assets	<u>\$ 423,077</u>	<u>\$ 464,006</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Vouchers and accounts payable	\$ --	\$ 8,743
Accrued salaries and benefits	10,218	15,396
Total Liabilities	<u>10,218</u>	<u>24,139</u>
Fund Balances:		
Reserved:		
Imprest cash	100	100
Unreserved:		
Undesignated	412,759	439,767
Total Fund Balances	<u>412,859</u>	<u>439,867</u>
Total Liabilities and Fund Balances	<u>\$ 423,077</u>	<u>\$ 464,006</u>

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Other Special Districts Governed by the Board of Supervisors
For the Year Ended June 30, 2003

	Meadowbrook Manor Station	Mendocino County Water Agency
	<hr/>	<hr/>
Revenues:		
Taxes	\$ 1,201	\$ 84,597
Licenses, permits and franchises	--	--
Fines, forfeitures and penalties	--	--
Revenue from use of money and property	--	972
Aid from other governmental agencies	21	1,476
Charges for services	--	46,729
Other revenue	--	121
Total Revenues	<hr/> <u>1,222</u>	<hr/> <u>133,895</u>
Expenditures:		
Current:		
Public protection	--	306,813
Health and sanitation	6,278	--
Capital outlay	--	2,057
Total Expenditures	<hr/> <u>6,278</u>	<hr/> <u>308,870</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<hr/> <u>(5,056)</u>	<hr/> <u>(174,975)</u>
Other Financing Sources (Uses):		
Transfers in	--	107,660
Transfers out	--	--
Total Other Financing Sources (Uses)	<hr/> <u>--</u>	<hr/> <u>107,660</u>
Net change in fund balances	(5,056)	(67,315)
Fund balances, beginning	<hr/> <u>15,487</u>	<hr/> <u>83,892</u>
Fund balances, ending	<hr/> <u>\$ 10,431</u>	<hr/> <u>\$ 16,577</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances (continued)
Nonmajor Other Special Districts Governed by the Board of Supervisors
For the Year Ended June 30, 2003

	Air Quality Management	Total
	<u> </u>	<u> </u>
Revenues:		
Taxes	\$ --	\$ 85,798
Licenses, permits and franchises	178,013	178,013
Fines, forfeitures and penalties	34,134	34,134
Revenue from use of money and property	7,830	8,802
Aid from other governmental agencies	402,854	404,351
Charges for services	15,318	62,047
Other revenue	375	496
Total Revenues	<u>638,524</u>	<u>773,641</u>
Expenditures:		
Current:		
Public protection	--	306,813
Health and sanitation	600,957	607,235
Capital outlay	52,010	54,067
Total Expenditures	<u>652,967</u>	<u>968,115</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,443)</u>	<u>(194,474)</u>
Other Financing Sources (Uses):		
Transfers in	--	107,660
Transfers out	(136,593)	(136,593)
Total Other Financing Sources (Uses)	<u>(136,593)</u>	<u>(28,933)</u>
Net change in fund balances	(151,036)	(223,407)
Fund balances, beginning	<u>563,895</u>	<u>663,274</u>
Fund balances, ending	<u>\$ 412,859</u>	<u>\$ 439,867</u>

COUNTY OF MENDOCINO

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2003

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>
<u>Assets</u>				
Current Assets:				
Cash	\$ 18,195	\$ 216,848	\$ --	\$ --
Accounts receivable	--	--	--	--
Due from other funds	--	218,287	--	--
Total current assets	<u>18,195</u>	<u>435,135</u>	<u>--</u>	<u>--</u>
Noncurrent assets:				
Depreciable:				
Equipment	52,437	3,784,411	--	22,055
Less accumulated depreciation	<u>(11,886)</u>	<u>(2,598,801)</u>	<u>--</u>	<u>(5,352)</u>
Total noncurrent assets	<u>40,551</u>	<u>1,185,610</u>	<u>--</u>	<u>16,703</u>
Total Assets	<u>\$ 58,746</u>	<u>\$ 1,620,745</u>	<u>\$ --</u>	<u>\$ 16,703</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ 170,471	\$ --	\$ 23,221
Accrued salaries and benefits	--	--	--	2,960
Compensated absences payable	--	--	--	9,082
Due to other funds	--	--	73,252	247,062
Liability for unpaid claims	--	--	608,854	1,043,667
Total Liabilities	<u>--</u>	<u>170,471</u>	<u>682,106</u>	<u>1,325,992</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	40,551	1,185,610	--	16,703
Unrestricted	18,195	264,664	(682,106)	(1,325,992)
Total Net Assets	<u>58,746</u>	<u>1,450,274</u>	<u>(682,106)</u>	<u>(1,309,289)</u>
Total Liabilities and Net Assets	<u>\$ 58,746</u>	<u>\$ 1,620,745</u>	<u>\$ --</u>	<u>\$ 16,703</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Fund Net Assets (continued)
Internal Service Funds
June 30, 2003

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash	\$ 24,951	\$ --	\$ 259,994
Accounts receivable	--	215,103	215,103
Due from other funds	--	--	218,287
Total current assets	<u>24,951</u>	<u>215,103</u>	<u>693,384</u>
Noncurrent assets:			
Depreciable:			
Equipment	22,382	4,518	3,885,803
Less accumulated depreciation	<u>(5,385)</u>	<u>(1,168)</u>	<u>(2,622,592)</u>
Total noncurrent assets	<u>16,997</u>	<u>3,350</u>	<u>1,263,211</u>
 Total Assets	 <u>\$ 41,948</u>	 <u>\$ 218,453</u>	 <u>\$ 1,956,595</u>
 <u>Liabilities</u>			
Accounts payable	\$ --	\$ 148,911	\$ 342,603
Accrued salaries and benefits	2,510	746	6,216
Compensated absences payable	1,445	--	10,527
Due to other funds	--	378,878	699,192
Liability for unpaid claims	--	1,380,000	3,032,521
 Total Liabilities	 <u>3,955</u>	 <u>1,908,535</u>	 <u>4,091,059</u>
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	16,997	3,350	1,263,211
Unrestricted	20,996	(1,693,432)	(3,397,675)
Total Net Assets	<u>37,993</u>	<u>(1,690,082)</u>	<u>(2,134,464)</u>
 Total Liabilities and Net Assets	 <u>\$ 41,948</u>	 <u>\$ 218,453</u>	 <u>\$ 1,956,595</u>

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2003

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemploymen Insurance</u>	<u>General Liability Insurance</u>
Operating Revenues				
Charges and fees	\$ --	\$ 312,517	\$ --	\$ 797,637
Other	--	14,551	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	--	327,068	--	797,637
Operating Expenses:				
Salaries and benefits	--	--	--	113,657
Maintenance and repair	282,109	1,358	--	42,923
Services and supplies	--	--	609,874	214,695
Insurance	--	--	197,486	223,961
Depreciation	4,673	575,006	--	1,760
Claims and judgments	--	--	--	1,311,116
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	286,782	576,364	807,360	1,908,112
Operating Income (Loss)	<hr/> (286,782)	<hr/> (249,296)	<hr/> (807,360)	<hr/> (1,110,475)
Non-Operating Revenues (Expenses)				
Interest revenue (expense)	3,294	3,084	646	(243)
Gain (loss) on sale of fixed assets	--	(14,157)	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	3,294	(11,073)	646	(243)
Income (Loss) Before Transfers	<hr/> (283,488)	<hr/> (260,369)	<hr/> (806,714)	<hr/> (1,110,718)
Transfers in	240,000	--	--	--
Transfers out	--	(212,254)	--	(2,330)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(43,488)	(472,623)	(806,714)	(1,113,048)
Net assets - beginning	<hr/> 102,234	<hr/> 1,922,897	<hr/> 124,608	<hr/> (196,241)
Net assets - ending	<hr/> <u>\$ 58,746</u>	<hr/> <u>\$ 1,450,274</u>	<hr/> <u>\$ (682,106)</u>	<hr/> <u>\$ (1,309,289)</u>

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets (continued)
Internal Service Funds
For the Year Ended June 30, 2003

	Worker's Compensation	Health Insurance	Total
Operating Revenues			
Charges and fees	\$ 2,700,000	\$ 9,549,567	\$ 13,359,721
Other	--	--	14,551
	2,700,000	9,549,567	13,374,272
Total Operating Revenues			
Operating Expenses:			
Salaries and benefits	139,596	42,764	296,017
Maintenance and repair	--	--	326,390
Services and supplies	--	9,722,759	10,547,328
Insurance	2,532,420	428,967	3,382,834
Depreciation	2,002	452	583,893
Claims and judgments	--	--	1,311,116
	2,674,018	10,194,942	16,447,578
Total Operating Expenses			
Operating Income (Loss)	25,982	(645,375)	(3,073,306)
Non-Operating Revenues (Expenses)			
Interest revenue (expense)	(8,565)	(36,875)	(38,659)
Gain (loss) on sale of fixed assets	--	--	(14,157)
	(8,565)	(36,875)	(52,816)
Total Non-Operating Revenues (Expenses)			
Income (Loss) Before Transfers	17,417	(682,250)	(3,126,122)
Transfers in	--	2,837,289	3,077,289
Transfers out	--	(183,452)	(398,036)
	17,417	1,971,587	(446,869)
Change in net assets			
Net assets - beginning	20,576	(2,314,669)	(340,595)
Net assets - ending	\$ 37,993	\$ (1,690,082)	\$ (2,134,464)

COUNTY OF MENDOCINO

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2003

	Software Acquisition	Vehicle Replacement	Unemployment Insurance	General Liability Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from interfund services provided	\$ --	\$ 327,068	\$ --	\$ 797,637
Cash paid to suppliers for goods and services	(282,109)	153,743	(198,506)	(997,858)
Cash paid to employees for services	--	--	--	(114,932)
Payments for quasi-external transactions	--	(218,287)	73,252	247,062
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	(282,109)	262,524	(125,254)	(68,091)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	240,000	--	--	--
Transfers out	--	(212,254)	--	(2,330)
Interest payments	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	240,000	(212,254)	--	(2,330)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds of sales of fixed assets	--	27,826	--	--
Purchase of capital assets	(23,806)	--	--	(12,246)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(23,806)	27,826	--	(12,246)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	3,294	3,084	646	(243)
Net Cash Provided (Used) by Investing Activities	3,294	3,084	646	(243)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(62,621)	81,180	(124,608)	(82,910)
Cash and Cash Equivalents, Beginning of Year	80,816	135,668	124,608	82,910
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	\$ 18,195	\$ 216,848	\$ --	\$ --
	<hr/>	<hr/>	<hr/>	<hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (286,782)	\$ (249,296)	\$ (807,360)	\$ (1,110,475)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	4,673	575,006	--	1,760
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	--	--	--
Due from other funds	--	--	--	--
Increase (decrease) in:				
Accounts payable	--	155,101	--	(40,257)
Due to other funds	--	(218,287)	73,252	247,062
Accrued salaries	--	--	--	900
Liability for self-insurance	--	--	608,854	835,094
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ (282,109)	\$ 262,524	\$ (125,254)	\$ (68,091)

continued

COUNTY OF MENDOCINO

Combining Statement of Cash Flows (continued) Internal Service Funds For the Year Ended June 30, 2003

	Worker's Compensation	Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 2,700,000	\$ 9,500,089	\$ 13,324,794
Cash paid to suppliers for goods and services	(2,562,240)	(10,994,419)	(14,881,389)
Cash paid to employees for services	(140,076)	(42,863)	(297,871)
Payments for quasi-external transactions	--	(1,077,511)	(975,484)
	(2,316)	(2,614,704)	(2,829,950)
Net Cash Provided (Used) by Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	--	2,837,289	3,077,289
Transfers out	--	(183,452)	(398,036)
Interest payments	(8,565)	(36,875)	(45,440)
	(8,565)	2,616,962	2,633,813
Net Cash Provided (Used) by Noncapital Financing Activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds of sales of fixed assets	--	--	27,826
Purchase of capital assets	(11,240)	(2,258)	(49,550)
	(11,240)	(2,258)	(21,724)
Net Cash Provided (Used) by Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	--	--	6,781
	--	--	6,781
Net Cash Provided (Used) by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(22,121)	--	(211,080)
Cash and Cash Equivalents, Beginning of Year	47,072	--	471,074
Cash and Cash Equivalents, End of Year	\$ 24,951	\$ --	\$ 259,994
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 25,982	\$ (645,375)	\$ (3,073,306)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,002	452	583,893
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	--	(49,478)	(49,478)
Due from other funds	--	(1,077,511)	(1,077,511)
Increase (decrease) in:			
Accounts payable	(29,820)	(875,693)	(790,669)
Due to other funds	--	--	102,027
Accrued salaries	(590)	(99)	211
Liability for self-insurance	--	33,000	1,476,948
	(2,316)	(2,614,704)	(2,829,950)
Net Cash Provided (Used) by Operating Activities			

COUNTY OF MENDOCINO

Combining Balance Sheet
Fiduciary Funds
June 30, 2003

	<u>Pension Trust Funds</u>	<u>County Agency Funds</u>	<u>Special Districts Local Boards</u>
<u>Assets</u>			
Cash and investments in County Treasury	\$ 5,416,742	\$ 6,887,520	\$ 10,151,892
Imprest cash	--	--	8,160
Other cash	--	--	8,500
Accounts receivable	--	--	617,755
Taxes receivable	--	4,931,928	--
Advances receivable	--	6,126,087	--
Total Assets	<u>\$ 5,416,742</u>	<u>\$ 17,945,535</u>	<u>\$ 10,786,307</u>
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ --	\$ --	\$ 170,102
Accrued payroll and benefits	--	--	104,086
Agency funds held for others	--	17,945,535	--
Total Liabilities	<u>--</u>	<u>17,945,535</u>	<u>274,188</u>
 Fund Balance:			
Reserved for pool participants	--	--	10,512,119
Reserved for retirement system	5,416,742	--	--
Total Fund Balance	<u>5,416,742</u>	<u>--</u>	<u>10,512,119</u>
Total Liabilities and Fund Balance	<u>\$ 5,416,742</u>	<u>\$ 17,945,535</u>	<u>\$ 10,786,307</u>

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
Fiduciary Funds
June 30, 2003

	School Districts	Total
<u>Assets</u>		
Cash and investments in County Treasury	\$ 56,919,233	\$ 79,375,387
Imprest cash	--	8,160
Other cash	--	8,500
Accounts receivable	--	617,755
Taxes receivable	--	4,931,928
Advances receivable	--	6,126,087
Total Assets	\$ 56,919,233	\$ 91,067,817
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ --	\$ 170,102
Accrued payroll and benefits	--	104,086
Agency obligations	--	17,945,535
Total Liabilities	--	18,219,723
 Fund Balance:		
Reserved for pool participants	56,919,233	67,431,352
Reserved for retirement system	--	5,416,742
Total Fund Balance	56,919,233	72,848,094
Total Liabilities and Fund Balance	\$ 56,919,233	\$ 91,067,817