

**COUNTY OF MENDOCINO**

**AUDIT REPORT**

**JUNE 30, 2007**

**COUNTY OF MENDOCINO  
AUDIT REPORT  
For the Year Ended June 30, 2007**

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## **INTRODUCTORY SECTION**



**MENDOCINO COUNTY**  
**AUDITOR-CONTROLLER**  
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Ukiah, CA 95482  
(707) 463-4388  
Fax: (707) 467-2503

April 28, 2008

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

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

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

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

Pursuant to that requirement, attached please find the comprehensive annual financial report of the County of Mendocino for the fiscal year ended June 30, 2007.

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

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

Mendocino County's financial statements have been audited by Bartig, Basler & Ray, LLP, 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 ending June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The firm of Bartig, Basler & Ray concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Mendocino County's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **Profile of the Government**

The County of Mendocino was one of California's original 27 counties, created in 1850 by the State Legislature and remains a political subdivision, or unit, of the State. Its name is derived from Cape Mendocino, which lies northward of its northern boundary. Cape Mendocino was given its name by a famous Spanish navigator of the 16<sup>th</sup> century, Juan Rodriguez Cabrillo. Cabrillo discovered it in 1542 while on voyage of discovery along the Pacific Coast and named it in honor of Don Antonio de Mendoza, the first Viceroy of New Spain (Mexico), and the patron of the voyageur. The County of Mendocino currently occupies a land area of 3,510 square miles and serves a population of approximately 90,077. The County of Mendocino is empowered to levy a property tax on both real and personal properties located within its boundaries.

The County of Mendocino is a general law County. The Board of Supervisors, which serves as the legislative and executive body of the County government and many special districts is

comprised of five, full-time members elected by their respective districts. Pursuant to the California Government Code, the Board enacts legislation governing Mendocino County and determines overall policies for County departments and various special districts, adopts the annual budget and fixes salaries.

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

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, a water conservation improvement district, an air quality management district and public facilities corporation, which are considered components of the County and therefore have been included as an integral part of the County of Mendocino's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to financial statements.

The annual budget serves as the foundation for the County of Mendocino's financial planning and control. All departments of the County of Mendocino are required to submit requests for appropriations to the Chief Executive Officer. The Executive Officer uses these requests as the starting point for developing a proposed budget. The Chief Executive Officer then presents this proposed budget to the Board of Supervisors for review in late June each year. The Board is required to hold public hearings on the proposed budget and to adopt a final budget no later than October 1<sup>st</sup> of each year. The appropriated budget is prepared by fund, function (e.g., public protection), and department (e.g., Probation Department). Department Heads may make transfers of appropriations within a department with the Chief Executive Officer's approval. The Chief Executive Officer is 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.** Mendocino County is in a period of economic change from an extractive to a broader based 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 resources 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**

The County's annual budgets are 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 (\$1.9 million), Information Technology Reserve, and 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 helped 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 reduced 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 upon which budgetary decisions are based.
- Establishment of a trend adjustment for health insurance 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 workforce through maintaining existing vacancies, planning for and maintaining future vacancies (salary savings), voluntary time off (VTO), furloughs, necessary layoffs and position eliminations.

**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 5.07% for the County. Investment income includes appreciation in the fair market value of investments. Increases in fair market value during the current year, however, do not necessarily represent trends that will continue; nor is it

always possible to realize such amounts, especially in the case of temporary changes in the fair market value of investments that the governments intends to hold to maturity.

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

- ❖ Unemployment Insurance – the County is self-insured.
- ❖ General Liability Insurance – the County maintains a self-insured retention of \$150,000 per occurrence for this program. Losses that 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 that exceed the self-insured retention are covered by excess insurance. The program is administered by the County's Human Resources department, assisted by health plan consultants, Mercer Health & Benefits LLC.
- ❖ Retiree Health Insurance – the County maintains a self-insured retention of \$100,000 per year for each enrollee. Losses that exceed the self-insured retention are covered by excess insurance. The program is administered by the County's Human Resources department, assisted by health plan consultants, Mercer Health & Benefits LLC.

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

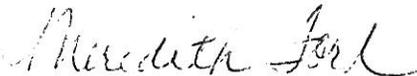
### **Pension and Other Post Employment Benefits**

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 661 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information about pension benefits can be found in Notes 12 and 13 to the financial statements.

Respectfully submitted,



Meredith Ford  
Auditor-Controller



Tom Mitchell  
Chief Executive Officer

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mendocino, California, (the County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pension Trust Fund, a Fiduciary Fund, which statements reflect total assets of \$355,591,114 as of June 30, 2007, and total plan net asset additions of \$65,828,606 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included in the Pension Trust Fund, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, 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 opinions.

In our opinion, based on our audit, and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Supervisors and Grand Jury  
County of Mendocino

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated April 28, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was made for the purpose of forming opinions 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 it.

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company



Roseville, California  
April 28, 2008



**MENDOCINO COUNTY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

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, 2007. 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 (\$33,866,727) (net assets). There was a deficit of (\$110,741,449) in unrestricted net assets.
- ❖ The County's total net assets increased by \$11,856,633. The reason for the increase was a 16.28% increase in sales and use tax revenues, and property tax increase of 5.3%.
- ❖ At the close of the current fiscal year, the County's combined (all funds) ending fund balance was \$9,832,115. This was an increase of \$162,663 in comparison with the prior year. Approximately 15% of this total amount or \$1,442,267 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 \$869,718.
- ❖ Total debt decreased by \$4,495,247 (3.5%) during the 2006/07 Fiscal Year.

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

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

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

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

**MENDOCINO COUNTY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

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

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

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

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

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

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

**MENDOCINO COUNTY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

The County of Mendocino maintains forty-one 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 thirty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Notes to Financial Statements.** The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-56 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information can be found on pages 57-62 of this report.

**MENDOCINO COUNTY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 63-93 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 \$33,866,727 at the close of the 2006/07 Fiscal Year.

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

**County of Mendocino's Net Assets**

	Governmental Activities	
	2007	2006
Current and other assets	\$ 40,001,482	\$ 33,892,496
Capital assets	89,649,412	85,759,350
Total Assets	129,650,894	119,651,846
Long-term liabilities	139,958,544	136,007,965
Other liabilities	23,559,077	29,367,241
Total Liabilities	163,517,621	165,375,206
Net Assets:		
Invest in capital assets, net of related debt	61,340,709	55,576,494
Restricted	15,534,013	14,456,631
Unrestricted	(110,741,449)	(115,756,485)
Total Net Assets	\$ (33,866,727)	\$ (45,723,360)

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

Investments in capital assets are subject to various external restrictions on how they may be used. The remaining negative balance of unrestricted net assets in the amount of (\$110,741,449) cannot be used to meet the County's ongoing obligations to citizens and creditors.

**MENDOCINO COUNTY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**Governmental Activities.** Governmental activities increased the County's net assets by \$11,856,633. Key elements of this increase are increases in property tax revenues and the State Vehicle License Fee Swap funds.

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

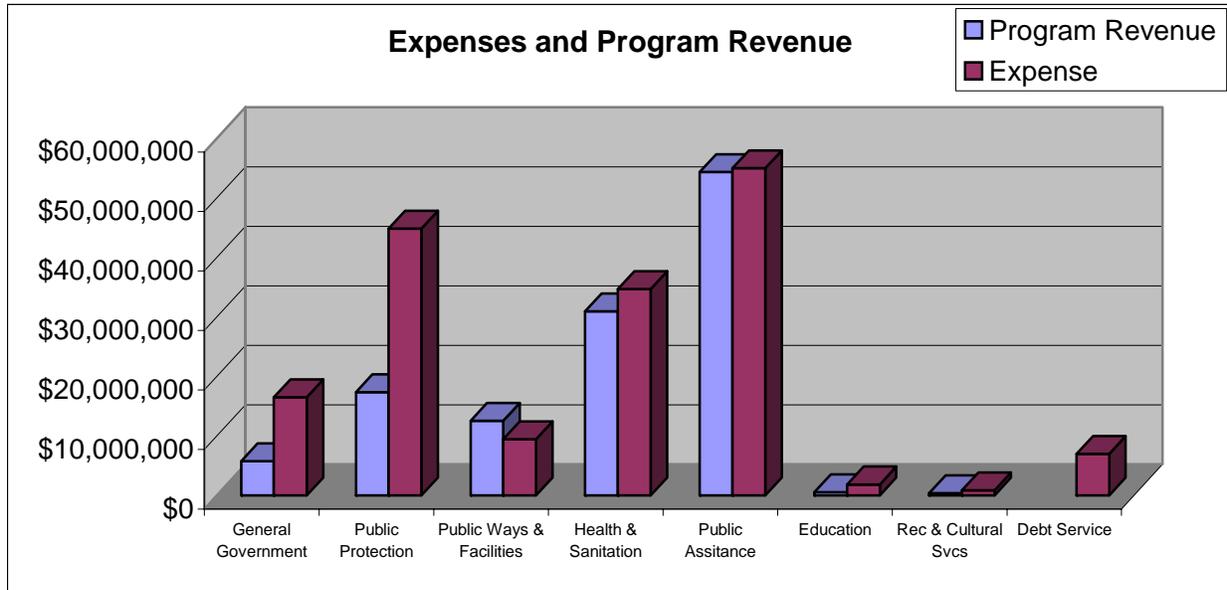
<b>Revenues</b>	2007	2006
<b>Program Revenues:</b>		
Fees, fines and charges for services	\$ 17,918,439	\$ 19,477,842
Operating grants & contributions	97,869,509	92,574,521
Capital grants & contributions	6,231,879	2,527,554
<b>General Revenues:</b>		
Property taxes	36,647,247	34,802,713
Sales & use taxes	11,034,674	9,499,642
Other taxes	4,326,527	4,603,212
Unrestricted interest & investment earnings	2,685,787	2,074,948
Miscellaneous	4,789,553	3,512,179
<b>Total Revenues</b>	181,503,615	169,072,611
<b>Expenses</b>		
<b>Expenses:</b>		
General government	16,538,787	14,742,778
Public protection	44,831,491	42,702,841
Public ways & facilities	9,499,595	10,169,526
Health & sanitation	34,699,572	32,973,429
Public assistance	54,994,654	54,165,425
Education	1,869,325	1,599,004
Recreation and cultural services	903,307	593,055
Interest on long-term debt	7,034,447	7,310,116
<b>Total Expenses</b>	170,371,178	164,256,174
<b>Change in Net Assets</b>	11,132,437	4,816,437
<b>Beginning Net Assets</b>	(45,723,360)	(55,494,829)
<b>Prior Period Adjustment</b>	724,196	4,955,032
<b>Ending Net Assets</b>	\$ (33,866,727)	\$ (45,723,360)

\*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  
 For the Year Ended June 30, 2007

- ❖ Property taxes increased by \$1,844,534 (5.3%) during the year. Most of this increase is attributable to the State's Vehicle License Fee Swap and an 8.7% increase in assessed valuations.

**Expenses and Program Revenues – Governmental Activities**



**Governmental Funds**

General Government  
 Public Protection  
 Public Ways & Facilities  
 Health & Sanitation  
 Public Assistance  
 Education  
 Rec & Cultural Svcs  
 Debt Service

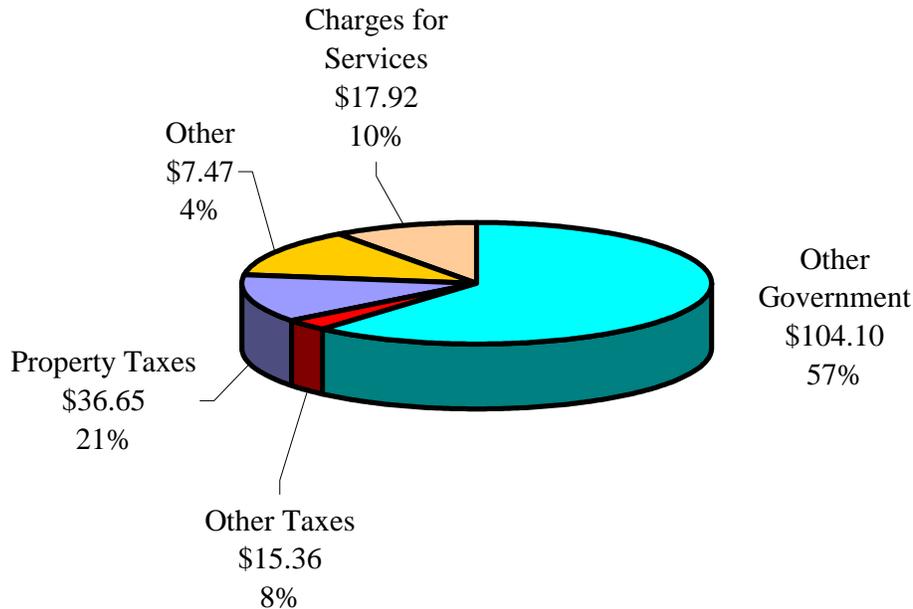
**Program Revenue**

**Expense**

\$5,779,542	\$16,538,787
\$17,377,915	\$44,831,491
\$12,574,455	\$9,499,595
\$30,946,908	\$34,699,572
\$54,349,621	\$54,994,654
\$579,577	\$1,869,325
\$411,809	\$903,307
	\$7,034,447

**MENDOCINO COUNTY**  
Management's Discussion and Analysis  
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**Revenues by Source (in millions) – Governmental Activities**



The largest portion of revenue received by the County comes from Federal and State sources (approximately (57%). The second largest source comes from property taxes (21%). However, it should be noted that of every \$1.00 collected in property tax approximately 63% benefits schools, with 30% going toward the funding of County services and programs. Cities receive 2% and Special Districts receive 5%. Only 30% of total revenue received is discretionary (not dedicated to particular services/programs).

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

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

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

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

As of the end of the current fiscal year, the County of Mendocino's governmental funds reported combined ending fund balances of \$9,832,115, an increase of \$162,663 from the prior year. Some of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$484,502); 2) to pay debt service (\$6,970,282); 3) for a variety of other restricted purposes (\$935,064).

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 \$869,718, while total fund balance reached \$1,335,936. The fund balance of the County of Mendocino's general fund increased by \$1,052,943 during the 2006/07 Fiscal Year.

The debt service fund had a total fund balance of \$1,781,857, 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 \$858,156. Interest expenditures decreased during the current period by \$37,371.

The pension obligations fund had a total fund balance of \$5,188,425, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year was \$1,194,967.

The mental health services fund had a total fund balance of (\$7,255,467). The net decrease in fund balance during the current year was \$2,649,060. Although the deficit fund balance is reported at more than \$7 million, receivables recorded as deferred revenue exceed that amount.

**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 (\$2,832,916).

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

- ❖ Increased Information Services/Capital Improvement's budgeted expenditures and corresponding revenues by \$66,000 for a microwave tower system to update failing communications equipment.
- ❖ Increased District Attorney's budgeted expenditures and corresponding revenues by \$110,000 for fixed asset purchases reimbursed from Asset Forfeiture funds.

**MENDOCINO COUNTY**  
Management's Discussion and Analysis  
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- ❖ Increased Sheriff's budgeted expenditures and corresponding revenues by \$72,500 for fixed asset purchases reimbursed from Asset Forfeiture funds.

**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, 2007, amounts to \$89,649,412 (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 4.5%.

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

	2007	2006
Land	\$ 3,298,969	\$ 3,298,969
Building and system	43,070,777	43,741,701
Improvements other than buildings	118,253	129,035
Machinery and equipment	7,934,051	8,015,127
Infrastructure	31,522,676	25,335,551
Construction in progress	3,704,686	5,238,967
Total	\$ 89,649,412	\$ 85,759,350

**Long-term debt.** At the end of the current fiscal year, the County of Mendocino has total debt outstanding of \$123,403,312.

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

	2007	2006
General obligation bonds	\$ 94,890,000	\$ 97,475,000
Certificates of Participation	26,875,000	28,345,000
Capital leases & loans	1,638,312	2,078,559
Total	\$ 123,403,312	\$ 127,898,559

The County of Mendocino's total debt decreased by \$4,495,247 (3.5%) during the current fiscal year. The key factor in this decrease was an increase in principal payment on the general obligation bonds.

**MENDOCINO COUNTY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

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 \$845,676,325, which is significantly in excess of the County of Mendocino's outstanding general obligation debt.

Additional information on the County of Mendocino's long-term debt can be found in note 9 on pages 47-51 of this report.

**Economic Factors that Impacted Budget.** All of the factors listed below were considered in preparing the County of Mendocino's budget for the 2006/07 fiscal years.

- ❖ Continued sluggish recovery of national, state & local economies.
- ❖ Increased expenses to employee benefits due to escalating health and workers compensation insurance costs.
- ❖ Increased employee salaries as a step toward making salaries competitive in local market.

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

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

# COUNTY OF MENDOCINO

## Statement of Net Assets June 30, 2007

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Pooled cash and investments in county treasury	\$ 6,990,924
Restricted Assets:	
Cash with fiscal agent	9,611,973
Imprest cash	12,166
Accounts receivable	1,398,915
Property taxes receivable	2,611,155
Interest receivable	236,186
Due from other governments	15,888,421
Inventory	922,898
Deferred charges	2,328,844
Total Current Assets	<u>40,001,482</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	7,003,655
Depreciable, net	82,645,757
Total Noncurrent Assets	<u>89,649,412</u>
Total Assets	<u><u>\$ 129,650,894</u></u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts payable	\$ 4,410,812
Accrued salaries and benefits	3,694,659
Due to other governmental agencies	6,034,562
Interest payable	3,923,010
Deferred revenues	5,496,034
Loans payable	28,507
Bonds payable	2,730,000
Certificate of participation	635,000
Liability for unpaid claims	4,063,500
Compensated absences	4,400,621
Capital lease obligation	438,268
Total Current Liabilities	<u>35,854,973</u>
Long-term liabilities, due beyond one year	119,571,537
Accrued landfill closure/postclosure care costs	8,091,111
Total Liabilities	<u>163,517,621</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	61,340,709
Restricted for:	
Legally segregated taxes, grants and fees	8,461,119
Debt service and capital projects	7,072,894
Unrestricted	(110,741,449)
Total Net Assets	<u>(33,866,727)</u>
Total Liabilities and Net Assets	<u><u>\$ 129,650,894</u></u>

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

## COUNTY OF MENDOCINO

### Statement of Activities For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 16,538,787	\$ 3,772,882	\$ 2,006,660	\$ --	\$ (10,759,245)
Public protection	44,831,491	9,896,961	7,480,954	--	(27,453,576)
Public ways and facilities	9,499,595	393,659	5,948,917	6,231,879	3,074,860
Health and sanitation	34,699,572	3,672,102	27,274,806	--	(3,752,664)
Public assistance	54,994,654	140,731	54,208,890	--	(645,033)
Education	1,869,325	42,104	537,473	--	(1,289,748)
Recreation and cultural services	903,307	--	411,809	--	(491,498)
Debt Service:					
Interest	7,034,447	--	--	--	(7,034,447)
 Total Governmental Activities	 <u>\$ 170,371,178</u>	 <u>\$ 17,918,439</u>	 <u>\$ 97,869,509</u>	 <u>\$ 6,231,879</u>	 <u>(48,351,351)</u>
General Revenues:					
Taxes:					
Property taxes					36,647,247
Sales and use taxes					11,034,674
Other					4,326,527
Unrestricted interest and investment earnings					2,685,787
Miscellaneous					4,789,553
Total General Revenues					<u>59,483,788</u>
Change in Net Assets					11,132,437
Net assets - July 1					(45,723,360)
Prior period adjustments					724,196
Net assets - June 30					<u>\$ (33,866,727)</u>

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, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Pension Obligation Bonds</u>
<b><u>ASSETS</u></b>			
Pooled cash and investments in county treasury	\$ 899,684	\$ 12,284	\$ 805
Restricted Assets:			
Cash with fiscal agent	--	1,910,420	7,701,553
Imprest cash	11,386	--	--
Accounts receivable	892,299	--	--
Property taxes receivable	2,521,229	--	--
Interest receivable	236,186	--	--
Due from other governments	4,256,042	--	--
Due from other funds	10,464,000	--	--
Inventory	284,495	--	--
Total Assets	<u>\$ 19,565,321</u>	<u>\$ 1,922,704</u>	<u>\$ 7,702,358</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 1,831,033	\$ 15	\$ --
Accrued salaries and benefits	2,978,905	--	--
Due to other funds	4,694,000	--	1,564,000
Matured principal and interest payable	--	140,832	949,933
Deferred revenue	2,690,885	--	--
Advances from other funds	6,034,562	--	--
Total Liabilities	<u>18,229,385</u>	<u>140,847</u>	<u>2,513,933</u>
<b><u>FUND BALANCES</u></b>			
Reserved:			
Encumbrances	170,337	--	--
Inventory	284,495	--	--
Imprest cash	11,386	--	--
Debt service	--	1,781,857	5,188,425
Unreserved, reported in:			
General fund	869,718	--	--
Special revenue funds	--	--	--
Capital project funds	--	--	--
Debt service funds	--	--	--
Total Fund Balances	<u>1,335,936</u>	<u>1,781,857</u>	<u>5,188,425</u>
Total Liabilities and Fund Balances	<u>\$ 19,565,321</u>	<u>\$ 1,922,704</u>	<u>\$ 7,702,358</u>

continued

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

**COUNTY OF MENDOCINO**

Balance Sheet (continued)  
Governmental Funds  
June 30, 2007

	Mental Health Services	Other Governmental Funds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>ASSETS</u></b>			
Pooled cash and investments in county treasury	\$ 132	\$ 4,401,305	\$ 5,314,210
Restricted Assets:			
Cash with fiscal agent	--	--	9,611,973
Imprest cash	100	680	12,166
Accounts receivable	329,868	161,411	1,383,578
Property taxes receivable	--	89,926	2,611,155
Interest receivable	--	--	236,186
Due from other governments	7,343,046	2,892,333	14,491,421
Due from other funds	--	4,956,000	15,420,000
Inventory	--	638,403	922,898
Total Assets	<u>\$ 7,673,146</u>	<u>\$ 13,140,058</u>	<u>\$ 50,003,587</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 1,304,184	\$ 944,050	\$ 4,079,282
Accrued salaries and benefits	285,437	417,015	3,681,357
Due to other funds	6,313,000	1,344,000	13,915,000
Matured principal and interest payable	--	--	1,090,765
Deferred revenue	7,025,992	1,653,629	11,370,506
Advances from other funds	--	--	6,034,562
Total Liabilities	<u>14,928,613</u>	<u>4,358,694</u>	<u>40,171,472</u>
<b><u>FUND BALANCES</u></b>			
Reserved:			
Encumbrances	--	314,165	484,502
Inventory	--	638,403	922,898
Imprest cash	100	680	12,166
Debt service	--	--	6,970,282
Unreserved, reported in:			
General fund	--	--	869,718
Special revenue funds	(7,255,567)	7,040,029	(215,538)
Capital project funds	--	102,612	102,612
Debt service funds	--	685,475	685,475
Total Fund Balances	<u>(7,255,467)</u>	<u>8,781,364</u>	<u>9,832,115</u>
Total Liabilities and Fund Balances	<u>\$ 7,673,146</u>	<u>\$ 13,140,058</u>	<u>\$ 50,003,587</u>

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, 2007

Fund Balance - total governmental funds (page 16)	\$ 9,832,115
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.	2,328,844
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	5,874,472
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	88,370,417
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:	(1,553,921)
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, 2007, are:	
Loans payable	(204,609)
Bonds payable	(94,890,000)
Certificates of participation	(26,875,000)
Capital leases	(1,433,703)
Accrued interest on long-term debt	(2,832,245)
Compensated absences	(4,391,986)
Landfill closure/post closure care costs	<u>(8,091,111)</u>
Net assets of governmental activities (page 13)	<u>\$ (33,866,727)</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, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Pension Obligation Bonds</u>
<b>Revenues:</b>			
Taxes	\$ 51,046,605	\$ --	\$ --
Licenses, permits and franchises	2,790,174	--	--
Intergovernmental	64,099,970	--	--
Revenue from use of money and property	2,252,241	14,337	--
Fines, forfeitures and penalties	1,934,622	--	--
Charges for services	11,295,358	--	59,255
Other revenue	<u>2,771,579</u>	<u>--</u>	<u>--</u>
Total Revenues	<u>136,190,549</u>	<u>14,337</u>	<u>59,255</u>
<b>Expenditures:</b>			
Current:			
General government	14,885,653	9,273	9,540
Public protection	39,830,013	--	--
Public ways and facilities	220,074	--	--
Health and sanitation	11,730,499	--	--
Public assistance	52,085,921	--	--
Education	218,116	--	--
Recreation and culture services	296,034	--	--
Debt service - principal	--	1,506,094	2,585,000
Debt service - interest	--	1,407,213	5,687,507
Capital outlay	<u>1,312,267</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>120,578,577</u>	<u>2,922,580</u>	<u>8,282,047</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,611,972</u>	<u>(2,908,243)</u>	<u>(8,222,792)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,443,423	2,050,087	9,417,759
Transfers out	<u>(16,648,701)</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(15,205,278)</u>	<u>2,050,087</u>	<u>9,417,759</u>
<b>Net change in fund balances</b>	406,694	(858,156)	1,194,967
Fund balances - beginning	282,993	2,640,013	3,993,458
Prior period adjustment	<u>646,249</u>	<u>--</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,335,936</u>	<u>\$ 1,781,857</u>	<u>\$ 5,188,425</u>

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

continued

## COUNTY OF MENDOCINO

### Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Governmental Funds For the Year Ended June 30, 2007

	Mental Health Services	Other Governmental Funds	Totals
<b>Revenues:</b>			
Taxes	\$ --	\$ 873,553	\$ 51,920,158
Licenses, permits and franchises	--	325,389	3,115,563
Intergovernmental	13,465,033	23,117,227	100,682,230
Revenue from use of money and property	(357,865)	545,416	2,454,129
Fines, forfeitures and penalties	--	280,260	2,214,882
Charges for services	93,095	1,139,686	12,587,394
Other revenue	974,438	997,527	4,743,544
Total Revenues	<u>14,174,701</u>	<u>27,279,058</u>	<u>177,717,900</u>
<b>Expenditures:</b>			
Current:			
General government	--	294,656	15,199,122
Public protection	--	3,341,488	43,171,501
Public ways and facilities	--	8,712,042	8,932,116
Health and sanitation	17,002,736	5,273,685	34,006,920
Public assistance	--	2,508,495	54,594,416
Education	--	1,525,383	1,743,499
Recreation and culture services	--	530,984	827,018
Debt service - principal	--	--	4,091,094
Debt service - interest	--	--	7,094,720
Capital outlay	60,926	7,290,587	8,663,780
Total Expenditures	<u>17,063,662</u>	<u>29,477,320</u>	<u>178,324,186</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,888,961)</u>	<u>(2,198,262)</u>	<u>(606,286)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,300,000	5,661,888	19,873,157
Transfers out	(1,060,099)	(2,041,657)	(19,750,457)
Total Other Financing Sources (Uses)	<u>239,901</u>	<u>3,620,231</u>	<u>122,700</u>
<b>Net change in fund balances</b>	(2,649,060)	1,421,969	(483,586)
Fund balances - beginning	(4,606,407)	7,359,395	9,669,452
Prior period adjustment	--	--	646,249
Fund balances - ending	<u>\$ (7,255,467)</u>	<u>\$ 8,781,364</u>	<u>\$ 9,832,115</u>

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

**COUNTY OF MENDOCINO**

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Government-Wide Statement of Activities - Governmental Activities  
For the Year Ended June 30, 2007

Net change to fund balance - total governmental funds (page 19)	\$	(483,586)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 8,987,158	
Less current year depreciation	<u>(5,254,661)</u>	
		3,732,497
Governmental fund revenues deferred at year end due to unavailability, and therefore, deferred under the modified accrual basis method of accounting, were recognized as revenue on the full accrual method of accounting.		3,856,228
Loan proceeds and new capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(92,975)
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	497,128	
Loans payable	36,094	
Bonds payable and certificates of participation	<u>4,055,000</u>	
		4,588,222
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.		
Change in accrued interest on long-term debt	85,866	
Amortization of bond issuance costs	(25,593)	
Change in compensated absences	(129,021)	
Change in liability for closure/post closure care	<u>(128,461)</u>	
		(197,209)
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>(270,740)</u>
Change in net assets of governmental activities (page 14)	\$	<u><u>11,132,437</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, 2007

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 1,676,714
Accounts receivable	15,337
Due from other funds	574,000
Total Current Assets	<u>2,266,051</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable:	
Equipment	3,943,982
Accumulated depreciation	<u>(2,664,987)</u>
Total Noncurrent Assets	<u>1,278,995</u>
<b>Total Assets</b>	<u><u>\$ 3,545,046</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 331,530
Accrued salaries and benefits	13,302
Compensated absences payable	8,635
Due to other funds	682,000
Liability for unpaid claims	4,063,500
Total Current Liabilities	<u>5,098,967</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,278,995
Unrestricted	<u>(2,832,916)</u>
Total Net Assets	<u>(1,553,921)</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,545,046</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, 2007

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 20,516,719
Other revenue	56,653
Total Operating Revenues	<u>20,573,372</u>
<b>Operating Expenses:</b>	
Salaries and employee benefits	265,411
Services and supplies	14,642,318
Insurance	5,340,245
Depreciation	12,509
Claims and judgments	483,391
Total Operating Expenses	<u>20,743,874</u>
<b>Operating Loss</b>	(170,502)
<b>Non-Operating Revenues:</b>	
Interest income	<u>22,462</u>
<b>Net Loss Before Transfers</b>	(148,040)
Transfers in	50,000
Transfers out	<u>(172,700)</u>
<b>Change in Net Assets</b>	(270,740)
Net Assets - Beginning of Year	<u>(1,283,181)</u>
<b>Net Assets - End of Year</b>	<u>\$ (1,553,921)</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, 2007

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from interfund services provided	\$ 20,406,431
Cash paid to suppliers for goods and services	(20,011,059)
Cash paid to employees for services	<u>(261,985)</u>
Net Cash Provided (Used) by Operating Activities	<u>133,387</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers in	50,000
Transfers out	(172,700)
Interest payments	<u>(65,669)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(188,369)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of capital assets	<u>(92,127)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(92,127)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>88,131</u>
Net Cash Provided by Investing Activities	<u>88,131</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(58,978)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,735,692</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 1,676,714</u></u>

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, 2007

	<u>Governmental Activities</u> Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (170,502)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	12,509
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	407,059
Due from other funds	(574,000)
Increase (decrease) in:	
Accounts payable	(125,442)
Due to other funds	357,000
Accrued salaries	1,069
Compensated absences	2,357
Liability for self-insurance	<u>223,337</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 133,387</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, 2007

	Investment Trust	Agency Funds	Pension Trust Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and investments in County				
Treasury	\$ 121,369,295	\$ 10,825,866	\$ 9,412,652	\$ 141,607,813
Accounts receivable	--	--	16,598,080	16,598,080
Taxes receivable	--	9,280,873	--	9,280,873
Advances to other funds	--	6,034,562	--	6,034,562
Other investments	--	--	329,580,382	329,580,382
Total Current Assets	<u>\$ 121,369,295</u>	<u>\$ 26,141,301</u>	<u>\$ 355,591,114</u>	<u>\$ 503,101,710</u>
<b>LIABILITIES</b>				
Accounts payable	\$ --	\$ --	\$ 108,645	\$ 108,645
Due to other funds	--	1,397,000	--	1,397,000
Investment purchases	--	--	1,310,345	1,310,345
Agency funds held for others	--	24,744,301	--	24,744,301
Total Liabilities	<u>--</u>	<u>26,141,301</u>	<u>1,418,990</u>	<u>27,560,291</u>
<b>NET ASSETS</b>				
Net Assets held in trust for:				
Retirement system	--	--	354,172,124	354,172,124
Investment pool participants	121,369,295	--	--	121,369,295
Total Net Assets	<u>121,369,295</u>	<u>--</u>	<u>354,172,124</u>	<u>475,541,419</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 121,369,295</u>	<u>\$ 26,141,301</u>	<u>\$ 355,591,114</u>	<u>\$ 503,101,710</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, 2007

	Investment Trust	Pension Trust
<b>Additions:</b>		
Contributions:		
Employer contributions	\$ --	\$ 7,231,002
Member contributions	--	6,002,259
Other income	--	295,955
Contributions on pooled investments	187,161,394	--
Interest and investment income (net)	4,094,193	52,299,390
Total Additions	191,255,587	65,828,606
 <b>Deductions:</b>		
Benefit payments	--	17,535,097
Refunds of contributions	--	1,035,899
Distributions from investment pool	143,321,614	--
Administrative expense	--	415,588
Total Deductions	143,321,614	18,986,584
<b>Change in net assets</b>	47,933,973	46,842,022
<b>Net assets, beginning</b>	73,435,322	307,330,102
<b>Net assets, ending</b>	\$ 121,369,295	\$ 354,172,124

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, 2007

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

#### A. **The Financial Reporting Entity**

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

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

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

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

#### B. **Basis of Presentation**

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

The government-wide financial statements consist of the statement of net 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.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

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

*Government-Wide Financial Statements* (continued)

These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities, generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. At June 30, 2007, 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, unrestricted resources are used only after the restricted 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. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

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

The County reports the following additional fund types:

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

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

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

*Fund Financial Statements* (continued)

- 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.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they become both measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. All other revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. It is the County's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payments are generally received within 90 days. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded as expenditures only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

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

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

**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. Receivables**

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

**G. Inventories**

Inventories are valued at average cost (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.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

### H. **Restricted Assets**

The County has \$9,611,973 restricted cash deposited with fiscal agents to meet Certificates of Participation and Pension Obligation Bond reserve fund requirements.

### I. **Property Tax Revenue**

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

#### Alternative Method of Distribution of Tax Levies

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

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

### J. **Capital Assets**

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

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

#### J. **Capital Assets** (continued)

The estimated useful lives are as follows:

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

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

#### K. **Other Assets**

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

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

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

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

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

L. **Interfund Transactions** (continued)

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

M. **Estimates**

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

Note 2: **Restatements of Net Asset and Fund Balances**

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

**Reclassifications**

A prior period adjustment of \$646,249 was made to the General Fund to correct the classification of agency funds to a governmental fund.

**Capital Assets**

A prior period adjustment of \$77,947 was made to the governmental activities to properly account for capital assets that were retired in previous years but not reflected in the financial statements.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

Note 3: **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>
Special Revenue Funds:	
Mental Health Services	\$ 7,255,467
Lighting Special District – Alexander Estates	20,341
Lighting Special District – Noyo	5,505
Miscellaneous Grants	622,770
Internal Service Funds:	
Software Acquisition	51,125
Health Insurance	2,482,210
General Liability Insurance	297,348
Retiree Health Insurance	517,669

The deficit fund equity in the Mental Health Services fund was caused by several years of significant excess expenditures over revenues. The Board of Supervisors permitted the accumulated deficit to be separated from the General Fund so as to limit the fiscal impact to the Mental Health Fund solely. Under new directorship, the department continues to work closely with county administration and the Auditor-Controller under a committed plan to defease the deficit over a period of five years. Although the deficit is reported above at more than \$7 million, receivables recorded as deferred revenue exceed that amount.

The Internal Service Funds for insurance (health, general liability, and retiree health) all had a deficit fund equity at fiscal year ending June 30, 2007, as a result of increasing liabilities for unpaid claims as well as the rising costs for insurance in general. Having achieved its goal on a pay-as-you-go basis with each of these accounts, the County intends to continue to aggressively raise the amount of insurance contributions in order to reach actuarial soundness.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2007

Note 3: **Stewardship, Compliance and Accountability** (continued)

**Deficit Fund Equity** (continued)

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

The deficit fund equity in the Miscellaneous Grants is caused by the nature of these grants, whereby the County typically expends grant funds, then claims reimbursement. The deficit equity amounts represent grant-authorized expenditures that are yet to be reimbursed by the granting agency.

Note 4: **Cash and Investments**

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

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

The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The Board of Supervisors reviews and approves the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual costs and fair value.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

Note 4: **Cash and Investments** (continued)

At June 30, 2007, total County cash and investments were as follows:

*Cash:*

Cash on hand	\$ 1,406,013
Imprest cash	12,166
Certificates of deposit	53,000,000
Overdrafts (deposits less outstanding warrants)	<u>(5,080,985)</u>
Total cash	<u>49,337,194</u>

*Investments:*

In Treasurer's pool	99,273,709
With fiscal agents	<u>9,611,973</u>
Total investments	<u>108,885,682</u>
Total cash and investments	<u><u>\$ 158,222,876</u></u>

Total cash and investments at June 30, 2007, were presented on the County's financial statements as follows:

Primary government	\$ 16,615,063
Investment trust fund	121,369,295
Pension trust fund	9,412,652
Agency funds	<u>10,825,866</u>
Total cash and investments	<u><u>\$ 158,222,876</u></u>

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2007

Note 4: **Cash and Investments** (continued)

#### Investments

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

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

At June 30, 2007, the difference between the cost and fair values was not material. Therefore, an adjustment to fair value was not required for GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, compliance.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

Note 4: **Cash and Investments** (continued)

**Investments** (continued)

At June 30, 2007, the County had the following investments:

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Par</u>	<u>Cost</u>	<u>Fair Value</u>	<u>WAM (Years)</u>
<b>Investments in Investment Pool</b>						
Commercial paper	5.34%	7/30/2007	\$ 10,000,000	\$ 9,954,017	\$ 9,959,100	0.08
Medium-term notes	4.48% - 5.56%	6/2/08 - 10/21/10	55,000,000	55,136,094	54,972,050	2.13
Federal agency obligations	4.57%	1/23/2009	5,000,000	4,997,500	4,990,150	1.56
Local Agency Investment Fund (LAIF)	5.24%	On Demand	18,000,000	18,000,000	18,000,000	0.00
Repurchase agreements	5.15%	On Demand	459,602	459,602	459,602	0.00
Mendocino County Delinquent Tax and Revenue Anticipation Note	Various	On Demand	10,726,496	10,726,496	10,726,496	
<b>Total investments in investment pool</b>			<u>99,186,098</u>	<u>99,273,709</u>	<u>99,107,398</u>	0.56
<b>Investments Outside Investment Pool</b>						
Cash			1,350	1,350	1,350	--
Corporate obligations			1,905,409	1,905,409	1,912,380	--
Federal agency obligations			4,200,070	4,200,070	4,057,000	--
Mutual funds			3,505,142	3,505,142	3,499,066	--
<b>Total investments outside investment pool</b>			<u>9,611,971</u>	<u>9,611,971</u>	<u>9,469,796</u>	--
<b>Total investments</b>			<u>\$ 108,798,069</u>	<u>\$ 108,885,680</u>	<u>\$ 108,577,194</u>	

### Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy. The County invested \$4,990,150 in floating rate securities. These are tied to the one or three month London Interbank Offer Rate (LIBOR) index.

### Credit Risk

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

### Concentration of Credit Risk

State law and the County's Investment Policy limit investments to commercial paper to 40% of the County Investment Pool and 10% of the County Investment Pool per issuer. At June 30, 2007, the County had 6.55% of its County Investment Pool in commercial paper. State law and the County's Investment Policy also limits investments in corporate bonds and medium term notes to 30% of the County Investment Pool. At June 30, 2007, the County had 36.14% of its County Investment Pool in corporate bonds and medium term notes. However, at the time the medium term notes were acquired, the County was under the 30% allowed threshold. The County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

Note 4: **Cash and Investments** (continued)

Concentration of Credit Risk (continued)

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2007.

<b>Investments In Investment Pool</b>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
Federal agency obligations	AAA	AAA	Unrated	3.28%
Commercial paper	A	P1	Unrated	6.55%
Local Agency Investment Fund	Unrated	Unrated	Unrated	11.83%
Medium-term notes	AAA	Aa3	AA	36.14%
Certificates of deposit	A1	P1	A1	34.84%
Repurchase agreements	Unrated	Unrated	Unrated	0.30%
Delinquent Tax and Revenue Anticipation Note	Unrated	Unrated	Unrated	7.06%
				<u>100.00%</u>

Custodial Credit Risk

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

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

<u>Highly Sensitive Investments</u>	<u>Fair Value</u>
Investments in asset backed securities. These securities are based on cash flows for payments on underlying loans. Therefore, they are sensitive to prepayments by borrowers, which may result from a decline in interest rates.	\$ 4,990,150

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

Note 4: **Cash and Investments** (continued)

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2007:

**Statement of Net Assets**

Net assets held for pool participants	<u>\$ 148,598,737</u>
Equity of internal pool participants	\$ 27,229,442
Equity of external pool participants	<u>121,369,295</u>
Total net assets	<u>\$ 148,598,737</u>

**Statement of Changes in Net Assets**

Net assets for pool participants at July 1, 2006	\$ 105,884,896
Net change in investments by pool participants	<u>42,713,841</u>
Net assets at June 30, 2007	<u>\$ 148,598,737</u>

Note 5: **Deferred Revenues**

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

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

Note 5: **Deferred Revenues** (continued)

As of June 30, 2007, the various components of unavailable deferred revenue and unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Activities:			
Government-wide Statements:			
Advance from fiscal agent for interest on 2002 bonds	\$ --	\$ 3,974,716	\$ 3,974,716
Various grants and charges	<u>          --</u>	<u>  1,521,318</u>	<u>  1,521,318</u>
	<u>\$          --</u>	<u>\$  5,496,034</u>	<u>\$  5,496,034</u>
Fund Statements:			
General Fund:			
Various grants and charges	\$ 1,787,049	\$  903,836	\$ 2,690,885
Mental Health Services:			
Various grants and charges	7,025,992	--	7,025,992
Other Governmental Funds:			
Various grants and charges	<u>  1,036,147</u>	<u>    617,482</u>	<u>  1,653,629</u>
	<u>\$  9,849,188</u>	<u>\$  1,521,318</u>	<u>\$ 11,370,506</u>

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

On July 5, 2006, the County issued a \$24,207,360 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, 2006, and was repaid with taxes and other revenues by June 25, 2007.

Short-term note payable activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
Short-term note payable	<u>\$          --</u>	<u>\$ 24,207,360</u>	<u>\$ 24,207,360</u>	<u>\$          --</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

Note 7: **Interfund Transactions**

**Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2007, are as follows:

*Advances from/to other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency Fund	General Fund	<u>\$ 6,034,562</u>

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

The following represents the components of the estimated balance owed by the General Fund to the Tax Resources Fund:

	Balance <u>June 30, 2007</u>
Negative cash in the Tax Resources Fund	\$ 13,206,057
Less:	
Positive cash in the Tax Loss Reserve Fund	1,262,715
Secured Taxes receivables balance, including penalties and costs	5,908,780
	<u>\$ 6,034,562</u>

*Due from/to other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Pension Obligation Bonds	\$ 1,564,000
	Mental Health Fund	6,313,000
	Internal Service Funds	682,000
	Other Governmental Funds	508,000
	Fiduciary Funds	1,397,000
Other Governmental Funds	General Fund	4,120,000
	Other Governmental Funds	836,000
Internal Service Funds	General Fund	<u>574,000</u>
		<u>\$ 15,994,000</u>

The above balances reflect temporary cash advances.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

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

**Interfund Receivables/Payables** (continued)

***Transfers:***

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 1,999,323
	Mental Health Services	1,300,000
	Roads Fund	2,764,945
	Pension Obligation Fund	7,774,572
	Internal Service Funds	50,000
	Other Governmental Funds	<u>2,759,861</u>
		<u>16,648,701</u>
Mental Health Services Fund	General Fund	373,311
	Debt Service Fund	50,764
	Pension Obligation Fund	623,057
	Other Governmental Funds	<u>12,967</u>
	<u>1,060,099</u>	
Internal Service Funds	General Fund	148,662
	Pension Obligation Fund	<u>24,038</u>
	<u>172,700</u>	
Other Governmental Funds	General Fund	921,450
	Pension Obligation Fund	996,092
	Other Governmental Funds	<u>124,115</u>
	<u>2,041,657</u>	
		<u>\$ 19,923,157</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

Note 8: **Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u>			<u>Transfers &amp;</u>	<u>Balance</u>
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>June 30, 2007</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,298,969	\$ --	\$ --	\$ --	\$ 3,298,969
Construction in progress	<u>5,238,967</u>	<u>6,086,894</u>	<u>--</u>	<u>(7,621,175)</u>	<u>3,704,686</u>
Total capital assets, not being depreciated	<u>8,537,936</u>	<u>6,086,894</u>	<u>--</u>	<u>(7,621,175)</u>	<u>7,003,655</u>
Capital assets, being depreciated:					
Infrastructure	45,400,564	--	--	7,621,175	53,021,739
Structures and improvements	65,281,538	1,148,728	--	--	66,430,266
Equipment	29,096,442	1,870,463	(1,960,663)	(388,444)	28,617,798
Improvements other than buildings	<u>2,591,598</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,591,598</u>
Total capital assets, being depreciated	<u>142,370,142</u>	<u>3,019,191</u>	<u>(1,960,663)</u>	<u>7,232,731</u>	<u>150,661,401</u>
Less accumulated depreciation for:					
Infrastructure	(20,065,013)	(1,434,050)	--	--	(21,499,063)
Structures and improvements	(21,539,837)	(1,819,652)	--	--	(23,359,489)
Equipment	(21,081,315)	(2,002,686)	1,933,863	466,391	(20,683,747)
Improvements other than buildings	<u>(2,462,563)</u>	<u>(10,782)</u>	<u>--</u>	<u>--</u>	<u>(2,473,345)</u>
Total accumulated depreciation	<u>(65,148,728)</u>	<u>(5,267,170)</u>	<u>1,933,863</u>	<u>466,391</u>	<u>(68,015,644)</u>
Total capital assets, being depreciated, net	<u>77,221,414</u>	<u>(2,247,979)</u>	<u>(26,800)</u>	<u>7,699,122</u>	<u>82,645,757</u>
Government activities capital assets, net	<u>\$ 85,759,350</u>	<u>\$ 3,838,915</u>	<u>\$ (26,800)</u>	<u>\$ 77,947</u>	<u>\$ 89,649,412</u>

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ (610,438)
Public protection	(1,476,165)
Public ways	(1,970,479)
Health and sanitation	(622,015)
Public assistance	(381,940)
Education	(118,627)
Recreation and culture	(74,997)
Depreciation on capital assets held by the County's internal service funds are charged to various functions based on their usage of the assets	<u>(12,509)</u>
Total Depreciation Expense - Governmental Functions	<u>\$ (5,267,170)</u>

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

### Note 9: Long-Term Liabilities

Individual issues of loans, bonds and certificates of participation outstanding at June 30, 2007, are as follows:

<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, 2007</u>
<b>Loans Payable</b>					
California Energy Commission Loan – 2002	12/22/02-12/22/07	3.00%	\$5,000-\$9,000	\$ 96,884	\$ 8,711
California Energy Commission Loan – 2004	12/22/05-12/22/16	3.95%	\$3,000-\$14,000	<u>250,000</u>	<u>195,898</u>
Total Loans Payable				<u>\$ 346,884</u>	<u>\$ 204,609</u>
<b>Taxable Pension Obligation Bonds</b>					
<b>1996 Series</b> (Issued to meet net pension obligation of the County's retirement plan)	7/01/03-7/01/09	5.54%-6.97%	\$2,225,000-\$4,770,000	\$ 30,720,000	\$ 5,655,000
<b>2002 Series</b> (Issued to partially refund the 1996 Series and to meet the net pension obligation of the County's retirement plan)	7/01/04-7/01/26	2.07%-5.77%	\$885,000-\$7,560,000	<u>91,945,000</u>	<u>89,235,000</u>
Total Taxable Pension Obligation Bonds				<u>\$ 122,665,000</u>	<u>\$ 94,890,000</u>
<b>Certificates of Participation</b>					
<b>2000 Issue</b> (Refunding of 1998 COPs)					
Serial Current Interest Certificates	6/01/04-6/01/16	4.10%-5.0%	\$75,000-\$535,000	\$ 6,120,000	\$ 4,070,000
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>20,430,000</u>
<b>2001 Issue</b> (Refunding of 1998 certificates)					
Serial Current Interest Certificates	6/01/04-6/01/21	3.5%-4.8%	\$240,000-\$460,000	6,455,000	4,935,000
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>6,445,000</u>
Total Certificates of Participation				<u>\$ 30,445,000</u>	<u>\$ 26,875,000</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

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, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds payable	\$ 97,475,000	\$ --	\$ (2,585,000)	\$ 94,890,000	\$ 2,730,000
Loans payable	240,703	--	(36,094)	204,609	28,507
Certificates of participation	28,345,000	--	(1,470,000)	26,875,000	635,000
Capital leases	1,837,856	92,975	(497,128)	1,433,703	438,268
Compensated absences	4,269,243	131,378	--	4,400,621	4,400,621
Liability for closure/postclosure	7,962,650	128,461	--	8,091,111	--
Liability for unpaid claims	3,840,163	12,957,087	(12,733,750)	4,063,500	4,063,500
<b>Total Governmental Activities</b>	<u>\$ 143,970,615</u>	<u>\$ 13,309,901</u>	<u>\$ (17,321,972)</u>	<u>\$ 139,958,544</u>	<u>\$ 12,295,896</u>

As of June 30, 2007, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30:	Governmental Activities					
	Bonds Payable		Certificates of Participation		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,730,000	\$ 5,189,341	\$ 635,000	\$ 1,347,308	\$ 28,507	\$ 7,696
2009	2,885,000	5,025,710	660,000	1,320,428	20,606	6,756
2010	3,055,000	4,848,443	730,000	1,292,102	21,428	5,934
2011	3,240,000	4,675,324	720,000	1,260,234	22,283	5,078
2012	3,405,000	4,509,199	755,000	1,228,702	23,161	4,201
2013-2017	19,810,000	19,650,090	4,350,000	5,566,219	88,624	7,142
2018-2022	25,850,000	13,429,270	5,535,000	4,382,084	--	--
2023-2027	33,915,000	5,102,199	8,065,000	2,692,825	--	--
2028-2032	--	--	5,425,000	579,560	--	--
	<u>\$ 94,890,000</u>	<u>\$ 62,429,576</u>	<u>\$ 26,875,000</u>	<u>\$ 19,669,462</u>	<u>\$ 204,609</u>	<u>\$ 36,807</u>

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

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

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

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

Debt Service Forward Agreement

In December 2002, the County entered into a debt service forward agreement with the fiscal agent related to the 2002 Bonds. The County received \$4,811,500 in advance for interest to be earned on the required reserves deposited with the fiscal agent over the life of the bonds. The amount, which previously was recognized by the General Fund as other revenue in the fund statements, is currently being recognized as deferred revenue to be amortized over the life of the bonds in the government-wide statement of net assets. At fiscal year end, the amount of unamortized interest was \$3,974,716.

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	\$ 3,521,673
Less: accumulated amortization	<u>(1,706,000)</u>
Net Value	<u>\$ 1,815,673</u>

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

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

B. **Leases** (continued)

**Capital Leases** (continued)

The County has entered into lease agreements for data processing systems, copy machines, and other equipment, with interest rates ranging from 4.0% to 16.7%. The original cost of all leased equipment was \$3,521,673. The minimum future lease commitments on these leases are as follows:

Fiscal Year Ending June 30,	<u>Payments</u>
2008	\$ 508,930
2009	449,464
2010	330,740
2011	248,113
2012	<u>86,999</u>
Total Minimum Lease Payments	1,624,246
Less Amount Representing Interest	<u>(190,543)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,433,703</u>

C. **Compensated Absences**

Vacation – employees accrue vacation at varying rates depending on the length of an employee’s service. Upon termination unused vacation, up to accrual limits, is paid off in cash. Sick leave – all employees accrue sick leave at the rate of 15 days per year. Sick leave may be accrued without limit. Upon termination, unused sick leave will be applied toward length of service for retirement credit. Holidays must be taken within the calendar year and are not accruable. The County records the gross vacation liability. At fiscal year end, the total liability for compensated absences was \$4,400,621. The entire amount was considered current, based on experience.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

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

**D. Prior Year Defeased Obligations**

In prior years, the County defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased debt is not included in these financial statements. The following debt, which is considered defeased, was outstanding at June 30, 2007:

\$7,120,000 Pension Obligation Bonds – Series 1996

Note 10: **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 \$8,091,111 reported as landfill closure/postclosure liability at June 30, 2007, 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 2007. 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, 2007</u>
Caspar Landfill	Mendocino County/ City of Fort Bragg	100%	Closed	\$ 1,175,040
South Coast Landfill	Mendocino County	N/A	2034	3,643,087
Laytonville Landfill	Mendocino County	100%	Closed	3,272,984
				<u>\$ 8,091,111</u>

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at June 30, 2007, investments of \$1,906,358 are held for these purposes. The County intends to obtain either a grant or issue debt to fund the closure costs. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

# COUNTY OF MENDOCINO

## Notes to the Basic Financial Statements For the Year Ended June 30, 2007

### 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.

#### 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, 2007, 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.
- *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.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

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

- *Reserve for Debt Service and Capital Projects* was created to represent cash held with fiscal agent for debt service and capital projects. The portion of fund balance representing the reserve does not represent an available spendable resource.
- *Reserve for Inventory* was created to represent the balance of inventory that is not available for expenditure.

Note 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, 2007, were \$6,974,327; contributions by the employees of the County and the special districts were \$6,206,400; and contributions by the Courts were \$564,334.

#### Annual Pension Cost

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

The Association was audited by other auditors. The last audit performed was for the year ended June 30, 2007. 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, 2007

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 907 County retirees, of which, 661 received healthcare benefits totaling \$3,807,490 for the year ended June 30, 2007.

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, 2007, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

## COUNTY OF MENDOCINO

### Notes to the Basic Financial Statements For the Year Ended June 30, 2007

#### 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 re-estimations of claims by program administrators, inflation, and changes in laws and regulations. The primary activities of the funds consist of risk management programs related to the following:

##### A. **Unemployment Insurance**

The County is fully self-insured for this program. The estimated claims liability at fiscal year end was \$461,511.

##### 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, 2007, 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 \$1,248,952 includes incurred but not reported claims.

##### C. **Workers' Compensation**

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

##### D. **Health Insurance**

The County is fully self-insured and administers the program. The County has hired Mercer Health & Benefits 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 \$1,835,531.

**COUNTY OF MENDOCINO**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2007

Note 15: **Risk Management** (continued)

**E. Retiree Health Insurance**

The County is fully self-insured and administers the program. The County has hired Mercer Health & Benefits 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 \$517,506.

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

	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
Claims liability, July 1, 2005	\$ 497,440	\$ 1,252,239	\$ 1,384,818	\$ 242,206	\$ 3,376,703
Current year claims and changes in estimates	361,201	205,348	8,909,590	4,891,434	14,367,573
Claims payments	<u>(412,188)</u>	<u>(388,645)</u>	<u>(8,632,395)</u>	<u>(4,470,885)</u>	<u>(13,904,113)</u>
Claims liability, June 30, 2006	<u>\$ 446,453</u>	<u>\$ 1,068,942</u>	<u>\$ 1,662,013</u>	<u>\$ 662,755</u>	<u>\$ 3,840,163</u>
Claims liability, July 1, 2006	\$ 446,453	\$ 1,068,942	\$ 1,662,013	\$ 662,755	\$ 3,840,163
Current year claims and changes in estimates	270,381	440,064	9,888,648	2,868,640	13,467,733
Claims payments	<u>(255,323)</u>	<u>(260,054)</u>	<u>(9,715,130)</u>	<u>(3,013,889)</u>	<u>(13,244,396)</u>
Claims liability, June 30, 2007	<u>\$ 461,511</u>	<u>\$ 1,248,952</u>	<u>\$ 1,835,531</u>	<u>\$ 517,506</u>	<u>\$ 4,063,500</u>

Note 16: **Subsequent Events**

On July 5, 2007, the County issued a \$26,214,500 tax and revenue anticipation note. The funds were budgeted for operations. The note is due and payable June 30, 2008, and carries a 4.5% interest rate.

Note 17: **New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) recently released new accounting and financial reporting standards. GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions (OPEB)*, may have a significant impact on the County's financial reporting process.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**COUNTY OF MENDOCINO**

**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2006**

**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>
6/30/04	\$ 265,141,000	\$ 239,191,000	\$ 25,950,000	90.2%	\$ 59,075,000	43.9%
6/30/05	289,467,000	253,487,000	35,980,000	87.6%	57,664,000	62.4%
6/30/06	320,123,000	288,461,000	31,662,000	90.1%	57,665,000	54.9%

**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 282,993	\$ 282,993	\$ 282,993	\$ --
Resources (inflows):				
Taxes	53,653,587	53,653,587	51,046,605	(2,606,982)
Licenses and permits	2,908,837	2,908,837	2,790,174	(118,663)
Fines, forfeits and penalties	1,894,101	2,080,087	1,934,622	(145,465)
Revenue from use of money and property	2,124,765	2,135,443	2,252,241	116,798
Aid from other governments	67,359,080	67,359,080	64,099,970	(3,259,110)
Charges for services	11,355,591	11,355,591	11,295,358	(60,233)
Miscellaneous revenue	3,855,577	3,958,241	2,771,579	(1,186,662)
Other financing sources	1,761,772	1,761,772	1,443,423	(318,349)
Amounts available for appropriation	<u>144,913,310</u>	<u>145,212,638</u>	<u>137,633,972</u>	<u>(7,578,666)</u>
Charges to appropriations (outflows):				
Current:				
General government	18,644,736	18,531,737	14,885,653	3,646,084
Public protection	46,427,416	46,400,840	39,830,013	6,570,827
Public way and facilities	887,885	887,885	220,074	667,811
Health and sanitation	14,420,863	14,547,004	11,730,499	2,816,505
Public assistance	54,852,965	57,965,215	52,085,921	5,879,294
Education	241,248	250,048	218,116	31,932
Recreation and cultural services	290,490	290,490	296,034	(5,544)
Capital outlay	916,641	1,185,615	1,312,267	(126,652)
Other financing uses	7,323,060	7,455,060	16,648,701	(9,193,641)
Total charges to appropriations	<u>144,005,304</u>	<u>147,513,894</u>	<u>137,227,278</u>	<u>10,286,616</u>
Budgetary fund balances, June 30	\$ <u>1,190,999</u>	\$ <u>(2,018,263)</u>	\$ <u>689,687</u>	\$ <u>2,707,950</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 \$ 137,633,972

Differences - budget to GAAP:

    Transfers from other funds are inflows of budgetary resources but are not revenues for budgetary purposes (1,443,423)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 136,190,549

continued

**COUNTY OF MENDOCINO**

**Budgetary Comparison Schedule (continued)  
General Fund  
For the Year Ended June 30, 2007**

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 137,227,278
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes	<u>(16,648,701)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 120,578,577</u>

**COUNTY OF MENDOCINO**

Budgetary Comparison Schedule  
Mental Health Services Fund  
For the Year Ended June 30, 2007

	<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	\$ (4,606,407)	\$ (4,606,407)	\$ (4,606,407)	\$ --
Resources (inflows):				
Revenue from use of money and property	(100,000)	(100,000)	(357,865)	(257,865)
Aid from other governments	17,341,700	17,341,700	13,465,033	(3,876,667)
Charges for services	350,000	350,000	93,095	(256,905)
Miscellaneous revenue	753,600	753,600	974,438	220,838
Other financing sources	--	--	1,300,000	1,300,000
Amounts available for appropriation	<u>18,345,300</u>	<u>18,345,300</u>	<u>15,474,701</u>	<u>(2,870,599)</u>
Charges to appropriations (outflows):				
Current:				
Health and sanitation	17,474,036	17,462,441	17,002,736	459,705
Capital outlay	32,000	43,595	60,926	(17,331)
Other financing uses	589,264	589,264	1,060,099	(470,835)
Total charges to appropriations	<u>18,095,300</u>	<u>18,095,300</u>	<u>18,123,761</u>	<u>(28,461)</u>
Budgetary fund balances, June 30	<u>\$ (4,356,407)</u>	<u>\$ (4,356,407)</u>	<u>\$ (7,255,467)</u>	<u>\$ (2,899,060)</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 \$ 15,474,701

Differences - budget to GAAP:

    Transfers from other funds are inflows of budgetary resources but are not revenues for budgetary purposes (1,300,000)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 14,174,701

continued

**COUNTY OF MENDOCINO**

**Budgetary Comparison Schedule (continued)  
Mental Health Services Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2007**

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 18,123,761
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes	<u>(1,060,099)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 17,063,662</u>

## COUNTY OF MENDOCINO

### Note to Required Supplementary Information For the Year Ended June 30, 2007

#### **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, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Redevelopment Agency</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments in County Treasury	\$ 3,714,290	\$ 840	\$ 686,175	\$ 4,401,305
Imprest cash	680	--	--	680
Accounts receivable	161,411	--	--	161,411
Due from other governmental agencies	2,892,333	--	--	2,892,333
Due from other funds	4,829,000	127,000	--	4,956,000
Taxes receivable	89,926	--	--	89,926
Inventory of supplies, at cost	638,403	--	--	638,403
Total Assets	<u>\$ 12,326,043</u>	<u>\$ 127,840</u>	<u>\$ 686,175</u>	<u>\$ 13,140,058</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 918,122	\$ 25,228	\$ 700	\$ 944,050
Accrued salaries and benefits	417,015	--	--	417,015
Due to other funds	1,344,000	--	--	1,344,000
Deferred revenue	1,653,629	--	--	1,653,629
Total Liabilities	<u>4,332,766</u>	<u>25,228</u>	<u>700</u>	<u>4,358,694</u>
 Fund Balances:				
Reserved for:				
Encumbrances	314,165	--	--	314,165
Inventory	638,403	--	--	638,403
Imprest cash	680	--	--	680
Unreserved, reported in:				
Special revenue funds	7,040,029	--	--	7,040,029
Capital project funds	--	102,612	--	102,612
Debt service funds	--	--	685,475	685,475
Total Equities	<u>7,993,277</u>	<u>102,612</u>	<u>685,475</u>	<u>8,781,364</u>
 Total Liabilities and Fund Balances	 <u>\$ 12,326,043</u>	 <u>\$ 127,840</u>	 <u>\$ 686,175</u>	 <u>\$ 13,140,058</u>

## COUNTY OF MENDOCINO

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2007

	Special Revenue	Capital Projects	Redevelopment Agency	Total
<b>Revenues:</b>				
Taxes	\$ 240,953	\$ --	\$ 632,600	\$ 873,553
Licenses, permits and franchises	325,389	--	--	325,389
Aid from other governmental agencies	23,117,227	--	--	23,117,227
Revenue from use of money and property	505,331	20,399	19,686	545,416
Fines, forfeitures and penalties	280,260	--	--	280,260
Charges for services	1,139,686	--	--	1,139,686
Other revenue	546,567	450,960	--	997,527
<b>Total Revenues</b>	<u>26,155,413</u>	<u>471,359</u>	<u>652,286</u>	<u>27,279,058</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	189,253	--	105,403	294,656
Public protection	3,341,488	--	--	3,341,488
Public ways and facilities	8,712,042	--	--	8,712,042
Health and sanitation	5,273,685	--	--	5,273,685
Public assistance	2,508,495	--	--	2,508,495
Education	1,525,383	--	--	1,525,383
Recreation and culture services	530,984	--	--	530,984
Capital outlay	6,602,549	688,038	--	7,290,587
<b>Total Expenditures</b>	<u>28,683,879</u>	<u>688,038</u>	<u>105,403</u>	<u>29,477,320</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,528,466)</u>	<u>(216,679)</u>	<u>546,883</u>	<u>(2,198,262)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	5,341,888	320,000	--	5,661,888
Transfers Out	(2,041,657)	--	--	(2,041,657)
<b>Total Other Financing Sources (Uses)</b>	<u>3,300,231</u>	<u>320,000</u>	<u>--</u>	<u>3,620,231</u>
<b>Net Change in Fund Balances</b>	<u>771,765</u>	<u>103,321</u>	<u>546,883</u>	<u>1,421,969</u>
Fund Balances, Beginning of year	<u>7,221,512</u>	<u>(709)</u>	<u>138,592</u>	<u>7,359,395</u>
Fund Balances, Ending	<u><u>\$ 7,993,277</u></u>	<u><u>\$ 102,612</u></u>	<u><u>\$ 685,475</u></u>	<u><u>\$ 8,781,364</u></u>

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2007

	<u>Road</u>	<u>Accumulated Capital Outlay</u>	<u>Library</u>	<u>Fish and Game</u>	<u>Special Aviation</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 475,722	\$ 1,697	\$ 224,912	\$ 105,508	\$ 365
Imprest cash	50	--	180	--	--
Accounts receivable	--	--	5,783	--	--
Due from other governmental agencies	1,745,664	46,044	--	--	1,052,667
Due from other funds	836,000	340,000	--	--	--
Taxes receivable	88,290	--	--	--	--
Inventory of supplies, at cost	638,403	--	--	--	--
Total Assets	<u>\$ 3,784,129</u>	<u>\$ 387,741</u>	<u>\$ 230,875</u>	<u>\$ 105,508</u>	<u>\$1,053,032</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 441,239	\$ 322,675	\$ 20,780	\$ --	\$ 98,708
Accrued salaries and benefits	189,572	--	43,918	--	--
Due to other funds	--	--	--	--	836,000
Deferred revenue	888,290	46,044	5,783	--	28,249
Total Liabilities	<u>1,519,101</u>	<u>368,719</u>	<u>70,481</u>	<u>--</u>	<u>962,957</u>
Fund Balances:					
Reserved for:					
Encumbrances	249,139	65,026	--	--	--
Inventory	638,403	--	--	--	--
Imprest cash	50	--	180	--	--
Unreserved:					
Undesignated	1,377,436	(46,004)	160,214	105,508	90,075
Total Fund Balances	<u>2,265,028</u>	<u>19,022</u>	<u>160,394</u>	<u>105,508</u>	<u>90,075</u>
Total Liabilities and Fund Balances	<u>\$ 3,784,129</u>	<u>\$ 387,741</u>	<u>\$ 230,875</u>	<u>\$ 105,508</u>	<u>\$1,053,032</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	<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	\$ 130,532	\$ 132,604	\$ 140,089	\$ 35,227	\$ 119,135
Imprest cash	--	--	--	--	--
Accounts receivable	--	--	--	--	--
Due from other governmental agencies	--	--	--	--	--
Due from other funds	--	--	--	--	--
Taxes receivable	--	--	--	--	--
Inventory of supplies, at cost	--	--	--	--	--
Total Assets	<u>\$ 130,532</u>	<u>\$ 132,604</u>	<u>\$ 140,089</u>	<u>\$ 35,227</u>	<u>\$ 119,135</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 6,098	\$ 12,500	\$ --	\$ 401	\$ 1,007
Accrued salaries and benefits	4,691	856	--	--	--
Due to other funds	--	--	--	--	--
Deferred revenue	--	--	--	--	--
Total Liabilities	<u>10,789</u>	<u>13,356</u>	<u>--</u>	<u>401</u>	<u>1,007</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Unreserved:					
Undesignated	<u>119,743</u>	<u>119,248</u>	<u>140,089</u>	<u>34,826</u>	<u>118,128</u>
Total Fund Balances	<u>119,743</u>	<u>119,248</u>	<u>140,089</u>	<u>34,826</u>	<u>118,128</u>
Total Liabilities and Fund Balances	<u>\$ 130,532</u>	<u>\$ 132,604</u>	<u>\$ 140,089</u>	<u>\$ 35,227</u>	<u>\$ 119,135</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	<u>Recorder Modernization</u>	<u>Micrographics</u>	<u>Assessor</u>	<u>General Plan Update</u>	<u>Realignment</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 296,713	\$ 3,252	\$ 152,024	\$ 1,371	\$ 482
Imprest cash	--	--	--	--	--
Accounts receivable	553	152	--	7,547	--
Due from other governmental agencies	--	--	--	--	--
Due from other funds	--	--	--	1,130,000	617,000
Taxes receivable	--	--	--	--	--
Inventory of supplies, at cost	--	--	--	--	--
Total Assets	<u>\$ 297,266</u>	<u>\$ 3,404</u>	<u>\$ 152,024</u>	<u>\$ 1,138,918</u>	<u>\$ 617,482</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ --	\$ 1,266	\$ --	\$ --	\$ --
Accrued salaries and benefits	--	2,138	--	--	--
Due to other funds	--	--	--	--	--
Deferred revenue	--	--	--	--	617,482
Total Liabilities	<u>--</u>	<u>3,404</u>	<u>--</u>	<u>--</u>	<u>617,482</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Unreserved:					
Undesignated	297,266	--	152,024	1,138,918	--
Total Fund Balances	<u>297,266</u>	<u>--</u>	<u>152,024</u>	<u>1,138,918</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 297,266</u>	<u>\$ 3,404</u>	<u>\$ 152,024</u>	<u>\$ 1,138,918</u>	<u>\$ 617,482</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	<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	\$ 45,318	\$ 3,884	\$ 29,620	\$ 736,441
Imprest cash	--	--	--	--
Accounts receivable	--	--	--	--
Due from other governmental agencies	--	--	--	--
Due from other funds	--	--	--	--
Taxes receivable	--	--	--	--
Inventory of supplies, at cost	--	--	--	--
Total Assets	<u>\$ 45,318</u>	<u>\$ 3,884</u>	<u>\$ 29,620</u>	<u>\$ 736,441</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Accrued salaries and benefits	--	--	--	--
Due to other funds	--	--	--	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	--
Inventory	--	--	--	--
Imprest cash	--	--	--	--
Unreserved:				
Undesignated	<u>45,318</u>	<u>3,884</u>	<u>29,620</u>	<u>736,441</u>
Total Fund Balances	<u>45,318</u>	<u>3,884</u>	<u>29,620</u>	<u>736,441</u>
Total Liabilities and Fund Balances	<u>\$ 45,318</u>	<u>\$ 3,884</u>	<u>\$ 29,620</u>	<u>\$ 736,441</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	Ukiah Library Endowment	Low Gap Park Endowment	Bookmobile Endowment	Willits Library Endowment	Mobile Spay/Neuter Endowment
<u>Assets</u>					
Cash and investments in County Treasury	\$ 150,207	\$ 22,843	\$ 6,838	\$ 5,763	\$ 13,596
Imprest cash	--	--	--	--	--
Accounts receivable	--	--	--	--	--
Due from other governmental agencies	--	--	--	--	--
Due from other funds	--	--	--	--	--
Taxes receivable	--	--	--	--	--
Inventory of supplies, at cost	--	--	--	--	--
Total Assets	\$ 150,207	\$ 22,843	\$ 6,838	\$ 5,763	\$ 13,596
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued salaries and benefits	--	--	--	--	--
Due to other funds	--	--	--	--	--
Deferred revenue	--	--	--	--	--
Total Liabilities	--	--	--	--	--
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Unreserved:					
Undesignated	150,207	22,843	6,838	5,763	13,596
Total Fund Balances	150,207	22,843	6,838	5,763	13,596
Total Liabilities and Fund Balances	\$ 150,207	\$ 22,843	\$ 6,838	\$ 5,763	\$ 13,596

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	<u>Miscellaneous Grants</u>	<u>Landfill Closure</u>	<u>Special Districts Lighting</u>	<u>Special Districts Other</u>	<u>Total</u>
<u>Assets</u>					
Cash and investments in County Treasury	\$ 152	\$ 358	\$ 181,389	\$ 698,248	\$ 3,714,290
Imprest cash	50	--	--	400	680
Accounts receivable	--	147,376	--	--	161,411
Due from other governmental agencies	--	--	--	47,958	2,892,333
Due from other funds	--	1,906,000	--	--	4,829,000
Taxes receivable	--	--	1,636	--	89,926
Inventory of supplies, at cost	--	--	--	--	638,403
Total Assets	<u>\$ 202</u>	<u>\$ 2,053,734</u>	<u>\$ 183,025</u>	<u>\$ 746,606</u>	<u>\$ 12,326,043</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ --	\$ 926	\$ --	\$ 12,522	\$ 918,122
Accrued salaries and benefits	143,972	--	--	31,868	417,015
Due to other funds	479,000	--	29,000	--	1,344,000
Deferred revenue	--	67,781	--	--	1,653,629
Total Liabilities	<u>622,972</u>	<u>68,707</u>	<u>29,000</u>	<u>44,390</u>	<u>4,332,766</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	314,165
Inventory	--	--	--	--	638,403
Imprest cash	50	--	--	400	680
Unreserved:					
Undesignated	(622,820)	1,985,027	154,025	701,816	7,040,029
Total Fund Balances	<u>(622,770)</u>	<u>1,985,027</u>	<u>154,025</u>	<u>702,216</u>	<u>7,993,277</u>
Total Liabilities and Fund Balances	<u>\$ 202</u>	<u>\$ 2,053,734</u>	<u>\$ 183,025</u>	<u>\$ 746,606</u>	<u>\$ 12,326,043</u>

## COUNTY OF MENDOCINO

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended June 30, 2007

	Road	Accumulated Capital Outlay	Library	Fish and Game	Special Aviation
<b>Revenues:</b>					
Taxes	\$ 65,013	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	76,014	--	--	--	--
Aid from other governmental agencies	10,583,781	--	536,244	--	1,166,017
Revenue from use of money and property	109,244	16,648	19,175	6,035	--
Fines, forfeitures and penalties	69,882	82,250	--	36,925	--
Charges for services	122,058	300	42,104	--	--
Other revenue	325,372	--	87,126	--	140
<b>Total Revenues</b>	<u>11,351,364</u>	<u>99,198</u>	<u>684,649</u>	<u>42,960</u>	<u>1,166,157</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	--	--	--	--	--
Public protection	--	--	--	31,038	--
Public ways and facilities	7,595,732	--	--	--	1,075,449
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	1,525,383	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	5,154,102	1,192,543	20,817	--	24,686
<b>Total Expenditures</b>	<u>12,749,834</u>	<u>1,192,543</u>	<u>1,546,200</u>	<u>31,038</u>	<u>1,100,135</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,398,470)</u>	<u>(1,093,345)</u>	<u>(861,551)</u>	<u>11,922</u>	<u>66,022</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	2,764,945	1,150,749	978,087	--	--
Transfers Out	(629,848)	--	(84,156)	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>2,135,097</u>	<u>1,150,749</u>	<u>893,931</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balances</b>	<u>736,627</u>	<u>57,404</u>	<u>32,380</u>	<u>11,922</u>	<u>66,022</u>
Fund Balances, Beginning of year	<u>1,528,401</u>	<u>(38,382)</u>	<u>128,014</u>	<u>93,586</u>	<u>24,053</u>
Fund Balances, Ending	<u>\$ 2,265,028</u>	<u>\$ 19,022</u>	<u>\$ 160,394</u>	<u>\$ 105,508</u>	<u>\$ 90,075</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, 2007

	Supplemental Law Enforcement	COPS AB 1913	Sheriff Special Projects	Mobile Spay/ Neuter	Museum Bookstore/ Projects
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--	--
Aid from other governmental agencies	150,399	288,875	500,000	--	--
Revenue from use of money and property	8,617	10,550	23,391	1,712	7,803
Fines, forfeitures and penalties	--	--	--	--	--
Charges for services	--	--	--	--	--
Other revenue	--	--	2,025	11,585	51,238
<b>Total Revenues</b>	<u>159,016</u>	<u>299,425</u>	<u>525,416</u>	<u>13,297</u>	<u>59,041</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	--	--	--	--	--
Public protection	121,293	214,354	6,605	7,642	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	26,839
Capital outlay	18,061	--	42	--	--
<b>Total Expenditures</b>	<u>139,354</u>	<u>214,354</u>	<u>6,647</u>	<u>7,642</u>	<u>26,839</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>19,662</u>	<u>85,071</u>	<u>518,769</u>	<u>5,655</u>	<u>32,202</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	--	34,080	--	--
Transfers Out	(16,330)	(28,975)	(534,080)	--	(19,595)
<b>Total Other Financing Sources (Uses)</b>	<u>(16,330)</u>	<u>(28,975)</u>	<u>(500,000)</u>	<u>--</u>	<u>(19,595)</u>
<b>Net Change in Fund Balances</b>	<u>3,332</u>	<u>56,096</u>	<u>18,769</u>	<u>5,655</u>	<u>12,607</u>
Fund Balances, Beginning of year	<u>116,411</u>	<u>63,152</u>	<u>121,320</u>	<u>29,171</u>	<u>105,521</u>
Fund Balances, Ending	<u>\$ 119,743</u>	<u>\$ 119,248</u>	<u>\$ 140,089</u>	<u>\$ 34,826</u>	<u>\$ 118,128</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, 2007

	Recorder Modernization	Micrographics	Assessor	General Plan Update	Realignment
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--	--
Aid from other governmental agencies	--	--	--	3,900	--
Revenue from use of money and property	14,904	(475)	14,510	50,634	--
Fines, forfeitures and penalties	--	--	--	--	--
Charges for services	130,251	27,011	--	382,091	--
Other revenue	--	15,019	18,751	24,206	--
<b>Total Revenues</b>	<b>145,155</b>	<b>41,555</b>	<b>33,261</b>	<b>460,831</b>	<b>--</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	99,234	74,791	15,228	--	--
Public protection	--	--	--	414,777	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	(113)	--	--	--	--
<b>Total Expenditures</b>	<b>99,121</b>	<b>74,791</b>	<b>15,228</b>	<b>414,777</b>	<b>--</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,034	(33,236)	18,033	46,054	--
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	37,880	--	43,541	--
Transfers Out	(37,880)	(4,644)	(146,070)	(34,476)	--
<b>Total Other Financing Sources (Uses)</b>	<b>(37,880)</b>	<b>33,236</b>	<b>(146,070)</b>	<b>9,065</b>	<b>--</b>
<b>Net Change in Fund Balances</b>	<b>8,154</b>	<b>--</b>	<b>(128,037)</b>	<b>55,119</b>	<b>--</b>
Fund Balances, Beginning of year	289,112	--	280,061	1,083,799	--
Fund Balances, Ending	<u>\$ 297,266</u>	<u>\$ --</u>	<u>\$ 152,024</u>	<u>\$ 1,138,918</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, 2007

	Redwood Valley Park Endowment	Walker Endowment	Fort Bragg Library Endowment	Museum Endowment
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Aid from other governmental agencies	--	--	--	--
Revenue from use of money and property	2,226	191	1,455	70,867
Fines, forfeitures and penalties	--	--	--	--
Charges for services	--	--	--	--
Other revenue	--	--	--	--
<b>Total Revenues</b>	<u>2,226</u>	<u>191</u>	<u>1,455</u>	<u>70,867</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	--	--	--	--
Public protection	--	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Recreation and culture services	--	--	--	174,449
Capital outlay	--	--	--	--
<b>Total Expenditures</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>174,449</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,226</u>	<u>191</u>	<u>1,455</u>	<u>(103,582)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	--	--	--	--
Transfers Out	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balances</b>	<u>2,226</u>	<u>191</u>	<u>1,455</u>	<u>(103,582)</u>
Fund Balances, Beginning of year	<u>43,092</u>	<u>3,693</u>	<u>28,165</u>	<u>840,023</u>
Fund Balances, Ending	<u>\$ 45,318</u>	<u>\$ 3,884</u>	<u>\$ 29,620</u>	<u>\$ 736,441</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, 2007

	Ukiah Library Endowment	Low Gap Park Endowment	Bookmobile Endowment	Willits Library Endowment	Mobile Spay/Neuter Endowment
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--	--
Aid from other governmental agencies	--	--	--	--	--
Revenue from use of money and property	7,378	1,122	336	283	668
Fines, forfeitures and penalties	--	--	--	--	--
Charges for services	--	--	--	--	--
Other revenue	--	--	--	--	--
Total Revenues	<u>7,378</u>	<u>1,122</u>	<u>336</u>	<u>283</u>	<u>668</u>
<b>Expenditures:</b>					
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>7,378</u>	<u>1,122</u>	<u>336</u>	<u>283</u>	<u>668</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	--	--	--	--
Transfers Out	--	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balances</b>	<u>7,378</u>	<u>1,122</u>	<u>336</u>	<u>283</u>	<u>668</u>
Fund Balances, Beginning of year	<u>142,829</u>	<u>21,721</u>	<u>6,502</u>	<u>5,480</u>	<u>12,928</u>
Fund Balances, Ending	<u>\$ 150,207</u>	<u>\$ 22,843</u>	<u>\$ 6,838</u>	<u>\$ 5,763</u>	<u>\$ 13,596</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, 2007

	Miscellaneous Grants	Landfill Closure	Special Districts Lighting	Special Districts Other	Total
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ 60,644	\$ 115,296	\$ 240,953
Licenses, permits and franchises	--	--	--	249,375	325,389
Aid from other governmental agencies	9,277,250	--	738	610,023	23,117,227
Revenue from use of money and property	--	94,243	--	43,814	505,331
Fines, forfeitures and penalties	64,469	--	--	26,734	280,260
Charges for services	--	392,074	--	43,797	1,139,686
Other revenue	2,432	--	278	8,395	546,567
<b>Total Revenues</b>	<b>9,344,151</b>	<b>486,317</b>	<b>61,660</b>	<b>1,097,434</b>	<b>26,155,413</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	--	--	--	--	189,253
Public protection	1,948,548	--	--	597,231	3,341,488
Public ways and facilities	--	--	40,861	--	8,712,042
Health and sanitation	4,211,289	446,278	--	616,118	5,273,685
Public assistance	2,508,495	--	--	--	2,508,495
Education	--	--	--	--	1,525,383
Recreation and culture services	329,696	--	--	--	530,984
Capital outlay	183,775	5,522	--	3,114	6,602,549
<b>Total Expenditures</b>	<b>9,181,803</b>	<b>451,800</b>	<b>40,861</b>	<b>1,216,463</b>	<b>28,683,879</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	162,348	34,517	20,799	(119,029)	(2,528,466)
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	--	--	332,606	5,341,888
Transfers Out	(389,222)	--	--	(116,381)	(2,041,657)
<b>Total Other Financing Sources (Uses)</b>	<b>(389,222)</b>	<b>--</b>	<b>--</b>	<b>216,225</b>	<b>3,300,231</b>
<b>Net Change in Fund Balances</b>	<b>(226,874)</b>	<b>34,517</b>	<b>20,799</b>	<b>97,196</b>	<b>771,765</b>
Fund Balances, Beginning of year	(395,896)	1,950,510	133,226	605,020	7,221,512
Fund Balances, Ending	\$ (622,770)	\$ 1,985,027	\$ 154,025	\$ 702,216	\$ 7,993,277

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors  
 June 30, 2007

	Alexander Estates	Covelo	Fairview Acres	Hopland
<u>Assets</u>				
Cash and investments in County treasury	\$ 659	\$ 9,464	\$ 6,620	\$ 58,584
Total Assets	\$ 659	\$ 9,464	\$ 6,620	\$ 58,584
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ 21,000	\$ --	\$ --	\$ --
Total Liabilities	21,000	--	--	--
Fund Balances:				
Unreserved:				
Undesignated	(20,341)	9,464	6,620	58,584
Total Fund Balances	(20,341)	9,464	6,620	58,584
Total Liabilities and Fund Balances	\$ 659	\$ 9,464	\$ 6,620	\$ 58,584

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors  
 June 30, 2007

	<u>Laytonville</u>	<u>Noyo</u>	<u>Oak Knoll</u>	<u>Riverwood Terrace</u>
<u>Assets</u>				
Cash and investments in County treasury	\$ 8,071	\$ 859	\$ 44,044	\$ 12,294
Total Assets	\$ 8,071	\$ 2,495	\$ 44,044	\$ 12,294
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ --	\$ 8,000	\$ --	\$ --
Total Liabilities	--	8,000	--	--
Fund Balances:				
Unreserved:				
Undesignated	8,071	(5,505)	44,044	12,294
Total Fund Balances	8,071	(5,505)	44,044	12,294
Total Liabilities and Fund Balances	\$ 8,071	\$ 2,495	\$ 44,044	\$ 12,294

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Lighting Special District Funds Governed by Board of Supervisors  
 June 30, 2007

	Ukiah Village	West Talmage	Total
<u>Assets</u>			
Cash and investments in County treasury	\$ 24,113	\$ 16,681	\$ 181,389
Total Assets	\$ 24,113	\$ 16,681	\$ 183,025
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ --	\$ --	\$ 29,000
Total Liabilities	--	--	29,000
Fund Balances:			
Unreserved:			
Undesignated	24,113	16,681	154,025
Total Fund Balances	24,113	16,681	154,025
Total Liabilities and Fund Balances	\$ 24,113	\$ 16,681	\$ 183,025

**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, 2007

	<u>Alexander</u> <u>Estates</u>	<u>Covelo</u>	<u>Fairview</u> <u>Acres</u>	<u>Hopland</u>
<b>Revenues:</b>				
Taxes	\$ 7,821	\$ 6,905	\$ 1,962	\$ 14,431
Aid from other governmental agencies	95	79	23	172
Other revenue	29	--	--	--
Total Revenues	<u>7,945</u>	<u>6,984</u>	<u>1,985</u>	<u>14,603</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	<u>8,741</u>	<u>5,938</u>	<u>1,086</u>	<u>5,257</u>
Total Expenditures	<u>8,741</u>	<u>5,938</u>	<u>1,086</u>	<u>5,257</u>
<b>Net change in fund balances</b>	(796)	1,046	899	9,346
Fund Balances, Beginning	<u>(19,545)</u>	<u>8,418</u>	<u>5,721</u>	<u>49,238</u>
Fund Balances, Ending	<u><u>\$ (20,341)</u></u>	<u><u>\$ 9,464</u></u>	<u><u>\$ 6,620</u></u>	<u><u>\$ 58,584</u></u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances (continued)  
Nonmajor Lighting Special Districts Governed by the Board of Supervisors  
For the Year Ended June 30, 2007

	<u>Laytonville</u>	<u>Noyo</u>	<u>Oak Knoll</u>	<u>Riverwood Terrance</u>
<b>Revenues:</b>				
Taxes	\$ 3,926	\$ 3,067	\$ 8,935	\$ 2,467
Aid from other governmental agencies	45	36	107	29
Other revenue	--	--	8	--
Total Revenues	<u>3,971</u>	<u>3,103</u>	<u>9,050</u>	<u>2,496</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	<u>3,630</u>	<u>4,016</u>	<u>4,502</u>	<u>830</u>
Total Expenditures	<u>3,630</u>	<u>4,016</u>	<u>4,502</u>	<u>830</u>
<b>Net change in fund balances</b>	341	(913)	4,548	1,666
Fund Balances, Beginning	<u>7,730</u>	<u>(4,592)</u>	<u>39,496</u>	<u>10,628</u>
Fund Balances, Ending	<u>\$ 8,071</u>	<u>\$ (5,505)</u>	<u>\$ 44,044</u>	<u>\$ 12,294</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, 2007

	<u>Ukiah Village</u>	<u>West Talmage</u>	<u>Total</u>
<b>Revenues:</b>			
Taxes	\$ 7,061	\$ 4,069	\$ 60,644
Aid from other governmental agencies	104	48	738
Other revenue	241	--	278
Total Revenues	<u>7,406</u>	<u>4,117</u>	<u>61,660</u>
<b>Expenditures:</b>			
Current:			
Public ways and facilities	<u>4,785</u>	<u>2,076</u>	<u>40,861</u>
Total Expenditures	<u>4,785</u>	<u>2,076</u>	<u>40,861</u>
<b>Net change in fund balances</b>	2,621	2,041	20,799
Fund Balances, Beginning	<u>21,492</u>	<u>14,640</u>	<u>133,226</u>
Fund Balances, Ending	<u>\$ 24,113</u>	<u>\$ 16,681</u>	<u>\$ 154,025</u>

**COUNTY OF MENDOCINO**

Combining Balance Sheet  
 Nonmajor Other Special Districts Governed by the Board of Supervisors  
 June 30, 2007

	Meadowbrook Manor Sanitation	Mendocino County Water Agency
<u>Assets</u>		
Cash and investments in County Treasury	\$ 14,294	\$ 73,242
Imprest cash	--	200
Due from other governments	--	--
Total Assets	<u>\$ 14,294</u>	<u>\$ 73,442</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Vouchers and accounts payable	\$ --	\$ 9,616
Accrued salaries and benefits	--	11,279
Total Liabilities	<u>--</u>	<u>20,895</u>
Fund Balances:		
Reserved:		
Imprest cash	--	200
Unreserved:		
Undesignated	14,294	52,347
Total Fund Balances	<u>14,294</u>	<u>52,547</u>
Total Liabilities and Fund Balances	<u>\$ 14,294</u>	<u>\$ 73,442</u>

continued

**COUNTY OF MENDOCINO**

Combining Balance Sheet (continued)  
 Nonmajor Other Special Districts Governed by the Board of Supervisors  
 June 30, 2007

	<u>Air Quality Management</u>	<u>Total</u>
<u>Assets</u>		
Cash and investments in County Treasury	\$ 610,712	\$ 698,248
Imprest cash	200	400
Due from other governments	47,958	47,958
Total Assets	<u>\$ 658,870</u>	<u>\$ 746,606</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Vouchers and accounts payable	\$ 2,906	\$ 12,522
Accrued salaries and benefits	20,589	31,868
Total Liabilities	<u>23,495</u>	<u>44,390</u>
Fund Balances:		
Reserved:		
Imprest cash	200	400
Unreserved:		
Undesignated	635,175	701,816
Total Fund Balances	<u>635,375</u>	<u>702,216</u>
 Total Liabilities and Fund Balances	 <u>\$ 658,870</u>	 <u>\$ 746,606</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, 2007

	Meadowbrook Manor Sanitation	Mendocino County Water Agency
<b>Revenues:</b>		
Taxes	\$ 1,720	\$ 113,576
Licenses, permits and franchises	--	--
Aid from other governmental agencies	20	1,362
Revenue from use of money and property	--	14,454
Fines, forfeitures and penalties	--	--
Charges for services	--	26,327
Other revenue	--	99
Total Revenues	<u>1,740</u>	<u>155,818</u>
<b>Expenditures:</b>		
Current:		
Public protection	--	597,231
Health and sanitation	527	--
Capital outlay	--	2,596
Total Expenditures	<u>527</u>	<u>599,827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,213</u>	<u>(444,009)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	--	332,606
Transfers out	--	(25,787)
Total Other Financing Sources (Uses)	<u>--</u>	<u>306,819</u>
<b>Net change in fund balances</b>	1,213	(137,190)
Fund Balances, Beginning	<u>13,081</u>	<u>189,737</u>
Fund Balances, Ending	<u>\$ 14,294</u>	<u>\$ 52,547</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, 2007

	Air Quality Management	Total
<b>Revenues:</b>		
Taxes	\$ --	\$ 115,296
Licenses, permits and franchises	249,375	249,375
Aid from other governmental agencies	608,641	610,023
Revenue from use of money and property	29,360	43,814
Fines, forfeitures and penalties	26,734	26,734
Charges for services	17,470	43,797
Other revenue	8,296	8,395
Total Revenues	<u>939,876</u>	<u>1,097,434</u>
<b>Expenditures:</b>		
Current:		
Public protection	--	597,231
Health and sanitation	615,591	616,118
Capital outlay	518	3,114
Total Expenditures	<u>616,109</u>	<u>1,216,463</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>323,767</u>	<u>(119,029)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	--	332,606
Transfers out	(90,594)	(116,381)
Total Other Financing Sources (Uses)	<u>(90,594)</u>	<u>216,225</u>
<b>Net change in fund balances</b>	233,173	97,196
Fund Balances, Beginning	<u>402,202</u>	<u>605,020</u>
Fund Balances, Ending	<u>\$ 635,375</u>	<u>\$ 702,216</u>

**COUNTY OF MENDOCINO**

Combining Statement of Fund Net Assets  
Internal Service Funds  
June 30, 2007

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>
<b><u>Assets</u></b>				
Current Assets:				
Cash	\$ 356	\$ 818	\$ 556,409	\$ 957,425
Accounts receivable	--	--	--	--
Due from other funds	--	574,000	--	--
Total current assets	<u>356</u>	<u>574,818</u>	<u>556,409</u>	<u>957,425</u>
Noncurrent assets:				
Depreciable:				
Equipment	133,236	3,784,411	--	12,837
Less accumulated depreciation	<u>(36,011)</u>	<u>(2,605,013)</u>	--	<u>(10,767)</u>
Total noncurrent assets	<u>97,225</u>	<u>1,179,398</u>	<u>--</u>	<u>2,070</u>
 Total Assets	 <u>\$ 97,581</u>	 <u>\$ 1,754,216</u>	 <u>\$ 556,409</u>	 <u>\$ 959,495</u>
 <b><u>Liabilities</u></b>				
Accounts payable	\$ 18,706	\$ 79,150	\$ --	\$ 509
Accrued salaries and benefits	--	--	--	3,126
Compensated absences payable	--	--	--	4,256
Due to other funds	130,000	--	--	--
Liability for unpaid claims	--	--	461,511	1,248,952
Total Liabilities	<u>148,706</u>	<u>79,150</u>	<u>461,511</u>	<u>1,256,843</u>
 <b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	97,225	1,179,398	--	2,070
Unrestricted	<u>(148,350)</u>	<u>495,668</u>	<u>94,898</u>	<u>(299,418)</u>
Total Net Assets	<u>(51,125)</u>	<u>1,675,066</u>	<u>94,898</u>	<u>(297,348)</u>
 Total Liabilities and Net Assets	 <u>\$ 97,581</u>	 <u>\$ 1,754,216</u>	 <u>\$ 556,409</u>	 <u>\$ 959,495</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Fund Net Assets (continued)  
Internal Service Funds  
June 30, 2007

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
<b><u>Assets</u></b>				
Current Assets:				
Cash	\$ 88,807	\$ 566	\$ 72,333	\$ 1,676,714
Accounts receivable	--	15,337	--	15,337
Due from other funds	--	--	--	574,000
Total current assets	<u>88,807</u>	<u>15,903</u>	<u>72,333</u>	<u>2,266,051</u>
Noncurrent assets:				
Depreciable:				
Equipment	11,240	2,258	--	3,943,982
Less accumulated depreciation	<u>(10,938)</u>	<u>(2,258)</u>	<u>--</u>	<u>(2,664,987)</u>
Total noncurrent assets	<u>302</u>	<u>--</u>	<u>--</u>	<u>1,278,995</u>
 Total Assets	 <u>\$ 89,109</u>	 <u>\$ 15,903</u>	 <u>\$ 72,333</u>	 <u>\$ 3,545,046</u>
 <b><u>Liabilities</u></b>				
Accounts payable	\$ 55,403	\$ 106,594	\$ 71,168	\$ 331,530
Accrued salaries and benefits	6,294	2,716	1,166	13,302
Compensated absences payable	2,945	1,272	162	8,635
Due to other funds	--	552,000	--	682,000
Liability for unpaid claims	--	1,835,531	517,506	4,063,500
 Total Liabilities	 <u>64,642</u>	 <u>2,498,113</u>	 <u>590,002</u>	 <u>5,098,967</u>
 <b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	302	--	--	1,278,995
Unrestricted	24,165	(2,482,210)	(517,669)	(2,832,916)
Total Net Assets	<u>24,467</u>	<u>(2,482,210)</u>	<u>(517,669)</u>	<u>(1,553,921)</u>
 Total Liabilities and Net Assets	 <u>\$ 89,109</u>	 <u>\$ 15,903</u>	 <u>\$ 72,333</u>	 <u>\$ 3,545,046</u>

**COUNTY OF MENDOCINO**

Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2007

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemploymen Insurance</u>	<u>General Liability Insurance</u>
Operating Revenues:				
Charges and fees	\$ --	\$ 487,590	\$ 400,000	\$ 1,769,448
Other	--	56,653	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	--	544,243	400,000	1,769,448
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Expenses:				
Salaries and benefits	--	--	--	94,690
Services and supplies	279,272	436,211	921	265,116
Insurance	--	--	255,323	673,071
Depreciation	5,157	6,132	--	704
Claims and judgments	--	--	15,058	440,064
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	284,429	442,343	271,302	1,473,645
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	(284,429)	101,900	128,698	295,803
	<hr/>	<hr/>	<hr/>	<hr/>
Non-Operating Revenues (Expenses)				
Interest revenue (expense)	(163)	15,824	28,753	43,554
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(163)	15,824	28,753	43,554
	<hr/>	<hr/>	<hr/>	<hr/>
Income (Loss) Before Transfers	(284,592)	117,724	157,451	339,357
	<hr/>	<hr/>	<hr/>	<hr/>
Transfers in	50,000	--	--	--
Transfers out	--	--	--	(8,697)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(234,592)	117,724	157,451	330,660
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets - Beginning	183,467	1,557,342	(62,553)	(628,008)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets - Ending	<u>\$ (51,125)</u>	<u>\$ 1,675,066</u>	<u>\$ 94,898</u>	<u>\$ (297,348)</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, 2007

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
Operating Revenues:				
Charges and fees	\$ 3,725,678	\$ 10,369,140	\$ 3,764,863	\$ 20,516,719
Other	--	--	--	56,653
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	3,725,678	10,369,140	3,764,863	20,573,372
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Expenses:				
Salaries and benefits	77,173	58,770	34,778	265,411
Services and supplies	21,018	10,390,428	3,249,352	14,642,318
Insurance	3,468,665	579,038	364,148	5,340,245
Depreciation	516	--	--	12,509
Claims and judgments	--	173,518	(145,249)	483,391
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	3,567,372	11,201,754	3,503,029	20,743,874
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	158,306	(832,614)	261,834	(170,502)
	<hr/>	<hr/>	<hr/>	<hr/>
Non-Operating Revenues (Expenses)				
Interest revenue (expense)	(23,333)	(30,160)	(12,013)	22,462
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(23,333)	(30,160)	(12,013)	22,462
	<hr/>	<hr/>	<hr/>	<hr/>
Income (Loss) Before Transfers	134,973	(862,774)	249,821	(148,040)
	<hr/>	<hr/>	<hr/>	<hr/>
Transfers in	--	--	--	50,000
Transfers out	(52,519)	(108,381)	(3,103)	(172,700)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	82,454	(971,155)	246,718	(270,740)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets - Beginning	(57,987)	(1,511,055)	(764,387)	(1,283,181)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets - Ending	\$ 24,467	\$ (2,482,210)	\$ (517,669)	\$ (1,553,921)
	<hr/>	<hr/>	<hr/>	<hr/>

**COUNTY OF MENDOCINO**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2007

	<u>Software Acquisition</u>	<u>Vehicle Replacement</u>	<u>Unemployment Insurance</u>	<u>General Liability Insurance</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from interfund services provided	\$ --	\$ (29,757)	\$ 400,000	\$ 1,778,054
Cash paid to suppliers for goods and services	(421,633)	(387,594)	(256,244)	(1,249,025)
Cash paid to employees for services	--	--	--	(90,854)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Operating Activities	<u>(421,633)</u>	<u>(417,351)</u>	<u>143,756</u>	<u>438,175</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	50,000	--	--	--
Transfers out	--	--	--	(8,697)
Interest payments	(163)	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>49,837</u>	<u>          </u>	<u>          </u>	<u>(8,697)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of capital assets	(91,536)	--	--	(591)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(91,536)</u>	<u>          </u>	<u>          </u>	<u>(591)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	--	15,824	28,753	43,554
Net Cash Provided (Used) by Investing Activities	<u>          </u>	<u>15,824</u>	<u>28,753</u>	<u>43,554</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(463,332)</u>	<u>(401,527)</u>	<u>172,509</u>	<u>472,441</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>463,688</u>	<u>402,345</u>	<u>383,900</u>	<u>484,984</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 356</u>	<u>\$ 818</u>	<u>\$ 556,409</u>	<u>\$ 957,425</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (284,429)	\$ 101,900	\$ 128,698	\$ 295,803
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	5,157	6,132	--	704
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	--	--	8,606
Increase (decrease) in:				
Accounts payable	(272,361)	48,617	--	(50,784)
Due to other funds	130,000	--	--	--
Accrued salaries	--	--	--	(420)
Compensated absences	--	--	--	4,256
Liability for self-insurance	--	--	15,058	180,010
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (421,633)</u>	<u>\$ (417,351)</u>	<u>\$ 143,756</u>	<u>\$ 438,175</u>

continued

**COUNTY OF MENDOCINO**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2007

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from interfund services provided	\$ 3,725,678	\$ 10,767,593	\$ 3,764,863	\$ 20,406,431
Cash paid to suppliers for goods and services	(3,486,416)	(10,568,925)	(3,641,222)	(20,011,059)
Cash paid to employees for services	<u>(74,679)</u>	<u>(59,855)</u>	<u>(36,597)</u>	<u>(261,985)</u>
Net Cash Provided (Used) by Operating Activities	<u>164,583</u>	<u>138,813</u>	<u>87,044</u>	<u>133,387</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	--	--	--	50,000
Transfers out	(52,519)	(108,381)	(3,103)	(172,700)
Interest payments	<u>(23,333)</u>	<u>(30,160)</u>	<u>(12,013)</u>	<u>(65,669)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(75,852)</u>	<u>(138,541)</u>	<u>(15,116)</u>	<u>(188,369)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of capital assets	--	--	--	(92,127)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>(92,127)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	--	--	--	88,131
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>88,131</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	88,731	272	71,928	(58,978)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>76</u>	<u>294</u>	<u>405</u>	<u>1,735,692</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 88,807</u></u>	<u><u>\$ 566</u></u>	<u><u>\$ 72,333</u></u>	<u><u>\$ 1,676,714</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 158,306	\$ (832,614)	\$ 261,834	\$ (170,502)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	516	--	--	12,509
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	398,453	--	407,059
Increase (decrease) in:				
Accounts payable	56,767	70,041	22,278	(125,442)
Due to other funds	(53,500)	330,500	(50,000)	357,000
Accrued salaries	3,145	(917)	(739)	1,069
Compensated absences	(651)	(168)	(1,080)	2,357
Liability for self-insurance	--	173,518	(145,249)	223,337
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 164,583</u></u>	<u><u>\$ 138,813</u></u>	<u><u>\$ 87,044</u></u>	<u><u>\$ 133,387</u></u>

