COUNTY OF MENDOCINO

AUDIT REPORT

JUNE 30, 2010

COUNTY OF MENDOCINO
AUDIT REPORT
For the Year Ended June 30, 2010

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FINANCIAL SECTION

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2010, 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 $301,878,045 as of June 30, 2010, and total plan net asset additions of $52,868,833 for the year then ended. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included in the Pension Trust Fund, are 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.

As stated in Note 12, for financial reporting purposes, an actuarial valuation is required at least biennially for other postemployment benefits (OPEB) plans with a total membership of 200 or more to properly report the annual OPEB cost and the actuarial accrued liability in accordance with accounting principles generally accepted in the United States of America. Because the County has not had an actuarial valuation in over two years, the County has not determined the cost of its OPEB for the year ended June 30, 2010. The effects of the departure on the financial statements are not reasonably determinable.

925 Highland Pointe Drive, Suite 450, Roseville, CA 95678-5418
tel: 916.784.7800 ■ fax: 916.784.7850 ■ www.gallina.com

To the Board of Supervisors and Grand Jury
County of Mendocino

In our opinion, based on our audit, and the report of the other auditors, except for the effects of not providing updated OPEB data, as discussed in the previous paragraph, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated March 25, 2011, 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 funds 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.

Gallina LLP

Roseville, California
March 25, 2011

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, 2010. 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 assets exceeded its liabilities at the close of the most recent fiscal year by $44,975,474 (net assets). There was a deficit of ($50,295,994) in unrestricted net assets.
- The County's total net assets increased by $1,143,775. Reasons for this minimal increase include reductions to assessed valuations, decreases in state and federal funding, and reduced expenditures ($3.3M) in response to the declining economy.
- At the close of the current fiscal year, the County's combined (all governmental funds) ending fund balance was ($6,195,063). This was a decrease of $20,335,990 in comparison with the prior year.
- Unreserved fund balance for the General Fund at the close of the current fiscal year was ($16,492,862).
- Total debt decreased by $4,552,585 (3.9%) during the 2009/10 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).

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.

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 61) 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 27-59 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 60-65 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 66-82 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, assets exceeded liabilities by $44,975,474 at the close of the 2009/10 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*	
	2010	2009
Current and other assets	$ 114,005,609	$ 113,293,766
Capital assets	101,041,841	93,074,751
Total Assets	215,047,450	206,368,517
Long-term liabilities	135,880,893	142,024,233
Other liabilities	34,191,083	20,512,585
Total Liabilities	170,071,976	162,536,818
Net Assets:		
Invested in capital assets, net of related debt	73,868,603	64,403,928
Restricted	21,402,865	21,589,827
Unrestricted	(50,295,994)	(42,162,056)
Total Net Assets	$ 44,975,474	$ 43,831,699

* 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 ($50,295,994) cannot be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities. Governmental activities increased the County's net assets by $1,143,775. Key elements of this increase are slight increases in property tax revenues, state and federal funding and expenditure reductions.

Revenues

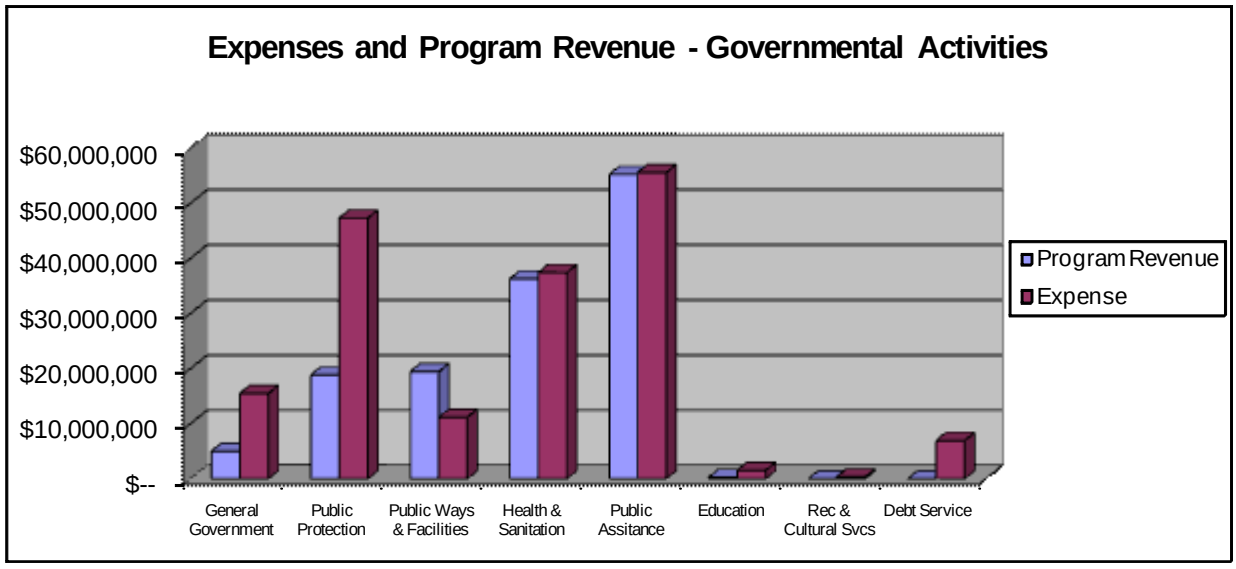
	2010	2009
Program Revenues:		
Fees, fines and charges for services	$ 19,954,121	$ 18,987,872
Operating grants & contributions	104,803,783	107,517,988
Capital grants & contributions	9,209,305	4,235,172
General Revenues:		
Property taxes	43,264,975	43,048,329
Sales & use taxes	8,159,252	10,443,197
Other taxes	3,462,727	4,439,953
Unrestricted interest & investment earnings	1,754,046	1,357,822
Miscellaneous	1,986,873	3,023,761
Special Item	(10,325,585)	--
Total Revenues and Special Item	182,269,497	193,054,094

Expenses

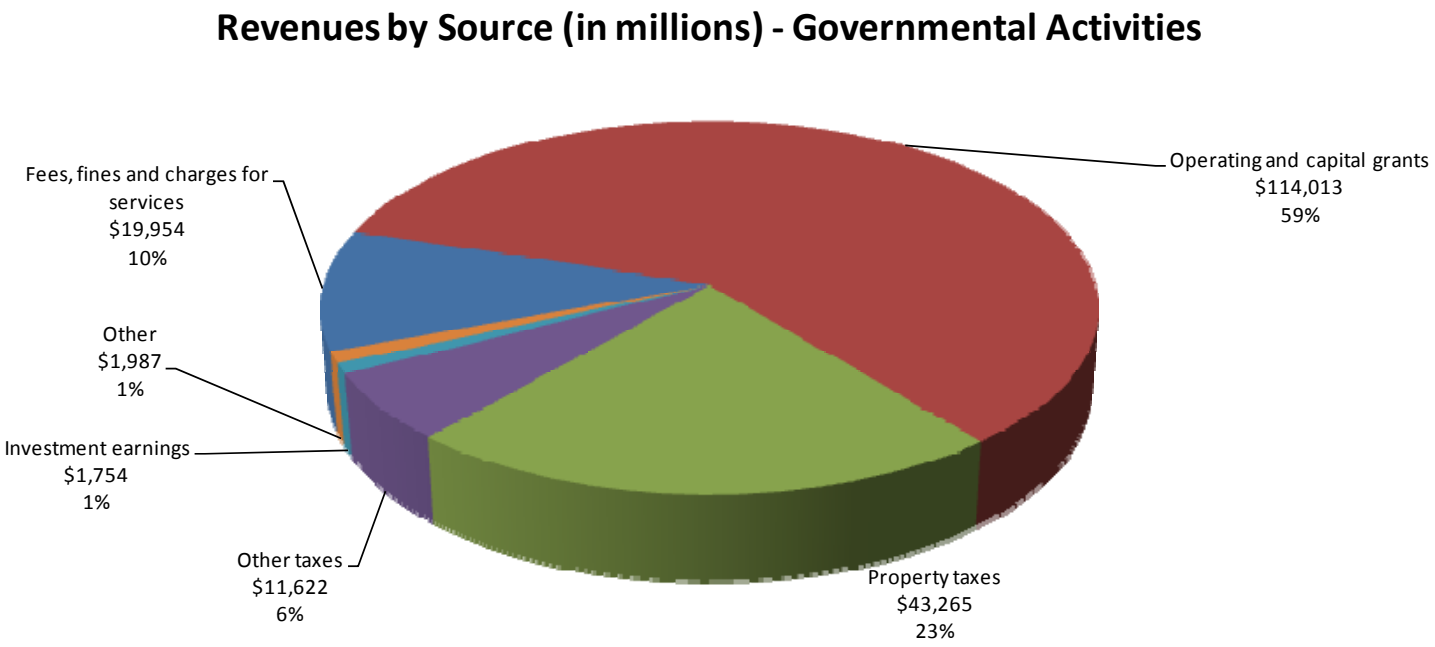
Expenses:		
General government	16,021,847	15,776,992
Public protection	49,758,954	49,638,909
Public ways & facilities	11,425,458	12,262,664
Health & sanitation	38,171,062	38,277,325
Public assistance	56,794,530	58,669,290
Education	1,612,037	1,832,541
Recreation and cultural services	376,799	436,907
Interest on long-term debt	6,965,035	7,593,045
Total Expenses	181,125,722	184,487,673
Change in Net Assets	1,143,775	8,566,421
Beginning Net Assets	43,831,699	(33,415,849)
Prior Period Adjustment	--	68,681,127
Ending Net Assets	$ 44,975,474	$ 43,831,699

Because Internal Service funds predominantly benefit governmental rather than business-type functions they have been included within governmental activities. Prior period adjustments made in 2009 relates to health insurance checking accounts not previously recorded ($421,609) and fixed assets adjustments ($227,764).

- Property taxes increased by $216,646 (.5%) during the year. Most of this increase is attributable to a change in the County's allocation of a Redevelopment agency.



Governmental Functions	Program Revenue	Expense
General Government	$ 5,031,275	$ 16,021,847
Public Protection	18,868,486	49,758,954
Public Ways & Facilities	18,225,353	11,425,458
Health & Sanitation	36,309,296	38,171,062
Public Assistance	55,259,788	56,794,530
Education	273,011	1,612,037
Rec & Cultural Svcs	--	376,799
Debt Service	--	6,965,035



The largest portion of revenue received by the County comes from Federal and State sources (approximately (59%). The second largest source comes from property taxes (23%). However, it should be noted that of every $1.00 collected in property tax approximately 63% benefits schools, with 30% going toward the funding of County services and programs. Cities receive 2% and Special Districts receive 5%. Only 34% of total revenue received is discretionary (not dedicated to particular services/programs).

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

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

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

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

As of the end of the current fiscal year, the County of Mendocino's governmental funds reported combined ending fund balances of ($6,195,063), a decrease of $20,335,990 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 ($8,412); 2) to pay debt service ($8,305,029); 3) for a variety of other restricted purposes ($1,748,785).

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 ($16,492,862), while total fund balance reached $(16,339,738). The fund balance of the County of Mendocino's general fund decreased by ($15,254,058) during the 2009/10 Fiscal Year. This is primarily due to the reclassification of the County's Teeter obligation from agency funds to the general fund. Deferred revenues recorded as liabilities offset $6,249,688 of this deficit, and property tax accounts receivable offset another significant portion.

The debt service fund had a total fund balance of $1,991,950, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was $93,849. Interest expenditures decreased during the current period by $15,378.

The pension obligation fund had a total fund balance of $6,313,079, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year was $1,119,934.

The mental health services fund had a total deficit fund balance of $8,167,670. The net decrease in fund balance during the current year was $1,601,548. Although the deficit fund balance is reported at more than $8 million, receivables recorded as deferred revenue make up more than that amount.

The road fund had a total fund balance of $1,817,685. The net decrease for the year was $3,047,412, though the fund has $3,283,577 of deferred revenue to offset receivables not collected within the County's period of availability.

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

Unrestricted net assets of the internal service funds at the end of the year amounted to $4,471,974.

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

- Increased Sheriff's budgeted expenditures and corresponding revenues by $271,261 for fixed asset purchases from Asset Forfeiture and Homeland Security funds.
- Increased Emergency Services program's budgeted expenditures and corresponding revenues by $40,000 for the purchase of a vehicle.
- Increased District Attorney's budgeted expenditures and corresponding revenues by $122,000 for the use of extra help reimbursed from Asset Forfeiture funds.
- Increased Jail's budgeted expenditures and corresponding revenues by $16,641 for fixed asset reimbursed with DMV fees.

Capital Asset and Debt Administration

Capital assets. The County of Mendocino's investment in capital assets for its governmental activities as of June 30, 2010, amounts to $101,041,841 (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 8.6%. Additional details of capital assets are in Note 7 on Page 45.

County of Mendocino's Capital Assets

	2010	2009
Land	$ 2,822,620	$ 2,822,620
Structures and improvements	40,385,947	41,798,007
Improvements other than buildings	2,808,692	2,853,005
Equipment	6,510,576	7,101,354
Infrastructure	37,803,183	32,669,628
Construction in progress	10,710,823	5,830,137
Total	$ 101,041,841	$ 93,074,751

Long-term debt. At the end of the current fiscal year, the County of Mendocino has long-term debt outstanding of 113,393,238.

County of Mendocino's Outstanding Debt

	2010	2009
General obligation bonds	$ 86,220,000	$ 89,275,000
Certificates of Participation	24,850,000	25,580,000
Capital leases & loans	2,323,238	3,090,823
Total	$ 113,393,238	$ 117,945,823

The County of Mendocino's total debt decreased by $4,552,585 (4%) during the current fiscal year. The key factor in this decrease was an increase in principal payment on the general obligation bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue at 10% of its total assessed valuation. The current debt limitation for the County of Mendocino is $968,481,261, 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 8 on pages 46-49 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 2009/10 fiscal year.

- Continued decline of national, state & local economies.
- Increased expenses to employee benefits due to increases in health insurance costs.
- Decreased employee salaries due to salary concessions necessary with the lagging economy.

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, 2010

	Governmental Activities
ASSETS	
Current Assets:	
Pooled cash and investments in county treasury	$ 14,802,726
Restricted Assets:	
Cash with fiscal agent	7,618,999
Other cash	320,666
Accounts receivable	2,224,102
Taxes receivable	1,940,325
Interest receivable	71,954
Due from other governments	21,818,923
Inventory	670,382
Net pension asset	62,348,132
Deferred charges	2,189,400
Total Current Assets	114,005,609
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	13,533,443
Depreciable, net	87,508,398
Total Noncurrent Assets	101,041,841
Total Assets	215,047,450
LIABILITIES	
Current Liabilities:	
Accounts payable	6,767,869
Accrued salaries and benefits	5,197,731
Due to tax resources fund	11,499,287
Interest payable	2,592,890
Unearned revenue	8,133,306
Loans payable	535,766
Bonds payable	3,240,000
Certificates of participation	720,000
Liability for unpaid claims	2,734,539
Compensated absences	5,477,067
Capital lease obligation	209,198
Total Current Liabilities	47,107,653
Noncurrent Liabilities:	
Long-term liabilities, due beyond one year	116,992,556
Other postemployment benefits (OPEB) liability	5,971,767
Total Noncurrent Liabilities	122,964,323
Total Liabilities	170,071,976
NET ASSETS	
Invested in capital assets, net of related debt	73,868,603
Restricted for:	
Legally segregated taxes, grants and fees	12,189,235
Debt service and capital projects	9,213,630
Unrestricted	(50,295,994)
Total Net Assets	$ 44,975,474

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

COUNTY OF MENDOCINO

Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue and Changes in Net Assets: Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
General government	$ 16,021,847	$ 3,586,703	$ 1,444,572	$ --	$ (10,990,572)
Public protection	49,758,954	9,554,950	9,313,536	--	(30,890,468)
Public ways and facilities	11,425,458	477,070	8,538,978	9,209,305	6,799,895
Health and sanitation	38,171,062	6,159,732	30,149,564	--	(1,861,766)
Public assistance	56,794,530	126,682	55,133,106	--	(1,534,742)
Education	1,612,037	48,984	224,027	--	(1,339,026)
Recreation and cultural services	376,799	--	--	--	(376,799)
Debt Service:					
Interest	6,965,035	--	--	--	(6,965,035)
Total Governmental Activities	$ 181,125,722	$ 19,954,121	$104,803,783	$ 9,209,305	(47,158,513)
General Revenues:					
Taxes:					
Property taxes					43,264,975
Sales and use taxes					8,159,252
Transient occupancy taxes					3,256,171
Other					206,556
Unrestricted interest and investment earnings					1,754,046
Miscellaneous					1,986,873
Special item - Teeter Fund Advance					(10,325,585)
Total General Revenues and Special Item					48,302,288
Change in Net Assets					1,143,775
Net assets - July 1					43,831,699
Net assets - June 30					$ 44,975,474

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, 2010

	General	Debt Service	Pension Obligation Bonds
ASSETS			
Pooled cash and investments in treasury	$ 1,642	$ 37,682	$ 681,623
Restricted Assets:			
Cash with fiscal agent	--	1,987,543	5,631,456
Imprest cash	11,829	--	--
Accounts receivable	950,821	--	--
Taxes receivable	1,940,325	--	--
Interest receivable	71,954	--	--
Due from other governments	5,578,698	--	--
Due from other funds	--	--	--
Inventory	141,295	--	--
Total Assets	$ 8,696,564	$ 2,025,225	$ 6,313,079
LIABILITIES			
Accounts payable	$ 1,365,916	$ --	$ --
Accrued salaries and benefits	4,366,147	--	--
Due to other funds	1,150,000	--	--
Matured principal and interest payable	--	33,275	--
Deferred revenue	6,249,688	--	--
Unearned revenue	405,264	--	--
Advances from other funds	11,499,287	--	--
Total Liabilities	25,036,302	33,275	--
FUND BALANCES			
Reserved:			
Encumbrances	--	--	--
Inventory	141,295	--	--
Imprest cash	11,829	--	--
Debt service	--	1,991,950	6,313,079
Endowments	--	--	--
Unreserved, reported in:			
General fund	(16,492,862)	--	--
Special revenue funds	--	--	--
Capital project funds	--	--	--
Debt service funds	--	--	--
Total Fund Balances	(16,339,738)	1,991,950	6,313,079
Total Liabilities and Fund Balances	$ 8,696,564	$ 2,025,225	$ 6,313,079

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

COUNTY OF MENDOCINO

Balance Sheet (continued)
Governmental Funds
June 30, 2010

	Mental Health Services	Road	Other Governmental Funds	Total
ASSETS				
Pooled cash and investments in treasury	$ 3,839	$ 2,646,288	$ 6,936,779	$ 10,307,853
Restricted Assets:				
Cash with fiscal agent	--	--	--	7,618,999
Imprest cash	100	50	630	12,609
Accounts receivable	457,634	15,493	459,408	1,883,356
Taxes receivable	--	--	--	1,940,325
Interest receivable	--	--	--	71,954
Due from other governments	8,988,862	4,564,810	1,916,553	21,048,923
Due from other funds	--	4,000,000	2,950,000	6,950,000
Inventory	--	519,289	9,798	670,382
Total Assets	$ 9,450,435	$ 11,745,930	$ 12,273,168	$ 50,504,401
LIABILITIES				
Accounts payable	$ 1,344,621	$ 3,667,651	$ 362,731	$ 6,740,919
Accrued salaries and benefits	272,237	293,440	237,802	5,169,626
Due to other funds	6,950,000	--	780,000	8,880,000
Matured principal and interest payable	--	--	--	33,275
Deferred revenue	9,051,247	3,283,577	1,005,667	19,590,179
Unearned revenue	--	2,683,577	1,697,337	4,786,178
Advances from other funds	--	--	--	11,499,287
Total Liabilities	17,618,105	9,928,245	4,083,537	56,699,464
FUND BALANCES				
Reserved:				
Encumbrances	--	--	8,412	8,412
Inventory	--	519,289	9,798	670,382
Imprest cash	100	50	630	12,609
Debt service	--	--	--	8,305,029
Endowments	--	--	1,065,794	1,065,794
Unreserved, reported in:				
General fund	--	--	--	(16,492,862)
Special revenue funds	(8,167,770)	1,298,346	6,214,975	(654,449)
Capital project funds	--	--	(8,781)	(8,781)
Debt service funds	--	--	898,803	898,803
Total Fund Balances	(8,167,670)	1,817,685	8,189,631	(6,195,063)
Total Liabilities and Fund Balances	$ 9,450,435	$ 11,745,930	$ 12,273,168	$ 50,504,401

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, 2010

Fund Balance - total governmental funds (page 16)	$	(6,195,063)
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.		2,189,400
The pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefor not reported in the funds.		62,348,132
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.		19,590,179
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		101,006,976
Advance of interest earnings from the trustee was previously recognized as revenue in the governmental funds and is currently being recognized over the life of the bonds in the government-wide statements.		(3,347,128)
Internal service funds are used by the County to charge the cost of unemployment insurance, dental insurance, fleet services and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:		4,506,839
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, 2010, are:		
Loans payable		(2,031,028)
Bonds payable		(86,220,000)
Certificates of participation		(24,850,000)
Capital leases		(292,210)
Accrued interest on long-term debt		(2,559,615)
Compensated absences		(5,461,354)
Landfill closure/post closure care costs		(8,304,282)
OPEB liability		(5,405,372)
Net assets of governmental activities (page 13)	$	44,975,474

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, 2010

	General	Debt Service	Pension Obligation Bonds
Revenues:			
Taxes	$ 52,590,208	$ --	$ --
Licenses, permits and franchises	2,468,257	--	--
Intergovernmental	67,520,458	--	--
Revenue from use of money and property	456,350	213,260	868,047
Fines, forfeitures and penalties	2,649,205	20,000	--
Charges for services	11,302,738	--	--
Other revenue	1,570,879	33,608	23,386
Total Revenues	138,558,095	266,868	891,433
Expenditures:			
Current:			
General government	14,345,357	7,708	7,271
Public protection	44,366,894	--	--
Public ways and facilities	195,306	--	--
Health and sanitation	12,941,705	--	--
Public assistance	53,053,958	--	--
Education	219,139	--	--
Recreation and culture services	321,930	--	--
Debt service - principal	--	1,243,400	3,055,000
Debt service - interest	731,959	1,395,655	4,848,442
Capital outlay	2,342,074	--	--
Total Expenditures	128,518,322	2,646,763	7,910,713
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,039,773	(2,379,895)	(7,019,280)
Other Financing Sources (Uses):			
Transfers in	1,173,909	2,473,744	8,139,214
Transfers out	(16,142,155)	--	--
Total Other Financing Sources (Uses)	(14,968,246)	2,473,744	8,139,214
Special Item - Teeter Fund Advance	(10,325,585)	--	--
Net change in fund balances	(15,254,058)	93,849	1,119,934
Fund balances - beginning	(1,085,680)	1,898,101	5,193,145
Fund balances - ending	$ (16,339,738)	$ 1,991,950	$ 6,313,079

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

COUNTY OF MENDOCINO

Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Governmental Funds
For the Year Ended June 30, 2010

	Mental Health Services	Road	Other Governmental Funds	Totals
Revenues:				
Taxes	$ --	$ 143,262	$ 906,391	$ 53,639,861
Licenses, permits and franchises	--	75,307	247,236	2,790,800
Intergovernmental	16,546,392	12,487,169	10,138,434	106,692,453
Revenue from use of money and property	(32,613)	13,859	12,369	1,531,272
Fines, forfeitures and penalties	--	71,883	171,935	2,913,023
Charges for services	1,531,564	238,020	716,244	13,788,566
Other revenue	43,787	15,056	332,805	2,019,521
Total Revenues	18,089,130	13,044,556	12,525,414	183,375,496
Expenditures:				
Current:				
General government	--	--	834,642	15,194,978
Public protection	--	--	2,686,395	47,053,289
Public ways and facilities	--	8,483,679	44,519	8,723,504
Health and sanitation	20,847,656	--	4,186,355	37,975,716
Public assistance	--	--	3,506,373	56,560,331
Education	--	--	1,436,484	1,655,623
Recreation and culture services	--	--	5,084	327,014
Debt service - principal	--	--	--	4,298,400
Debt service - interest	--	--	--	6,976,056
Capital outlay	--	10,158,848	2,245,267	14,746,189
Total Expenditures	20,847,656	18,642,527	14,945,119	193,511,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,758,526)	(5,597,971)	(2,419,705)	(10,135,604)
Other Financing Sources (Uses):				
Transfers in	1,971,000	3,317,169	1,916,584	18,991,620
Transfers out	(814,022)	(766,610)	(1,143,634)	(18,866,421)
Total Other Financing Sources (Uses)	1,156,978	2,550,559	772,950	125,199
Special Item - Teeter Fund Advance	--	--	--	(10,325,585)
Net change in fund balances	(1,601,548)	(3,047,412)	(1,646,755)	(20,335,990)
Fund balances - beginning	(6,566,122)	4,865,097	9,836,386	14,140,927
Fund balances - ending	$ (8,167,670)	$ 1,817,685	$ 8,189,631	$ (6,195,063)

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, 2010

Net change to fund balance - total governmental funds (page 19)		$ (20,335,990)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	$ 13,213,096	
Less current year depreciation	(5,247,073)	
		7,966,023
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.		9,238,666
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	280,967	
Loans payable	513,523	
Bonds payable and certificates of participation	3,785,000	
		4,579,490
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	98,100	
Amortization of bond issuance costs	(87,202)	
Change in net pension asset	(5,101,053)	
Change in compensated absences	(73,067)	
Change in liability for closure/post closure care	98,802	
		(5,064,420)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities.		4,760,006
Change in net assets of governmental activities (page 14)		$ 1,143,775

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

COUNTY OF MENDOCINO

Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

	Governmental Activities Internal Service Funds
ASSETS	
Current Assets:	
Pooled cash and investments in treasury	$ 4,494,873
Other cash	308,057
Accounts receivable	340,746
Due from other funds	2,700,000
Total Current Assets	7,843,676
Noncurrent Assets:	
Depreciable capital assets, net	34,865
Total Noncurrent Assets	34,865
Total Assets	7,878,541
LIABILITIES	
Current Liabilities:	
Accounts payable	26,950
Accrued salaries and benefits	28,105
Compensated absences payable	15,713
Liability for unpaid claims	2,734,539
Total Current Liabilities	2,805,307
Noncurrent Liabilities:	
Other postemployment benefits (OPEB) liability	566,395
Total Noncurrent Liabilities	566,395
Total Liabilities	3,371,702
NET ASSETS	
Invested in capital assets, net of related debt	34,865
Unrestricted	4,471,974
Total Net Assets	$ 4,506,839

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, 2010

	Governmental Activities Internal Service Funds
Operating Revenues:	
Charges for services	$ 26,373,067
Other revenue	390,847
Total Operating Revenues	26,763,914
Operating Expenses:	
Salaries and employee benefits	491,343
Services and supplies	15,478,240
Insurance	6,781,905
Depreciation	20,095
Claims and judgments	(957,503)
Total Operating Expenses	21,814,080
Operating Income	4,949,834
Non-Operating Revenues (Expenses):	
Interest income	13,578
Capital assets transferred	(78,207)
Total non-operating revenues (expenses)	(64,629)
Income Before Transfers	4,885,205
Transfers out	(125,199)
Change in Net Assets Before Special Item	4,760,006
Special item - reclassify OPEB obligation	5,405,372
Net Assets - Beginning of Year	(5,658,539)
Net Assets - End of Year	$ 4,506,839

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, 2010

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from interfund services provided	$ 26,508,314
Cash paid to suppliers for goods and services	(22,901,616)
Cash paid to employees for services	(479,033)
Net Cash Provided (Used) by Operating Activities	3,127,665
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers out	(125,199)
Temporary loan payments received	1,435,000
Net Cash Provided (Used) by Noncapital Financing Activities	1,309,801
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(72,464)
Net Cash Provided (Used) by Capital and Related Financing Activities	(72,464)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	13,578
Net Cash Provided by Investing Activities	13,578
Net Increase (Decrease) in Cash and Cash Equivalents	4,378,580
Cash and Cash Equivalents, Beginning of Year	424,350
Cash and Cash Equivalents, End of Year	$ 4,802,930

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, 2010

	Governmental Activities Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	$ 4,949,834
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	20,095
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(255,600)
Increase (decrease) in:	
Accounts payable	(29,890)
Accrued salaries	8,246
Compensated absences	4,064
OPEB liability	(254,233)
Liability for self-insurance	(1,314,851)
Net Cash Provided (Used) by Operating Activities	$ 3,127,665
Non cash investing, capital, and financing activities:	
Transfer of capital assets to governmental funds	$ 78,207

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

COUNTY OF MENDOCINO

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Investment Trust	Agency Funds	Pension Trust Fund
ASSETS			
Cash and investments in treasury	$ 109,313,336	$ 32,952	$ 16,191,776
Accounts receivable	--	--	2,016,434
Taxes receivable	--	11,210,606	--
Advances to other funds	--	11,499,287	--
Other investments	--	--	283,669,835
Total Assets	$ 109,313,336	$ 22,742,845	$ 301,878,045
LIABILITIES			
Accrued expenses	$ --	$ --	$ 1,835,483
Due to other funds	--	770,000	--
Agency funds held for others	--	21,972,845	--
Total Liabilities	--	22,742,845	1,835,483
NET ASSETS			
Net Assets held in trust for:			
Retirement system	--	--	300,042,562
Investment pool participants	109,313,336	--	--
Total Net Assets	109,313,336	--	300,042,562
Total Liabilities and Net Assets	$ 109,313,336	$ 22,742,845	$ 301,878,045

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, 2010

	Investment Trust	Pension Trust
Additions:		
Contributions:		
Employer contributions	$ --	$ 8,234,253
Member contributions	--	6,502,080
Other income	--	4,057
Contributions on pooled investments	334,261,364	--
Interest and investment income - net	467,548	38,128,443
Total Additions	334,728,912	52,868,833
Deductions:		
Benefit payments	--	23,160,989
Refunds of contributions	--	1,061,327
Distributions from investment pool	362,342,555	--
Administrative expense	--	644,865
Total Deductions	362,342,555	24,867,181
Change in net assets	(27,613,643)	28,001,652
Net assets, beginning	136,926,979	272,040,910
Net assets, ending	$ 109,313,336	$ 300,042,562

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.

Note 1: Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

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

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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, 2010, 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.

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

The County reports the following additional fund types:

- *Internal Service Funds* are used to account for the County's vehicle replacement and software acquisition services provided to other departments or to other governments and self-insurance programs – unemployment, general liability, worker's compensation and health insurance benefits, on a cost-reimbursement basis.

- 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.

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 financing sources.

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. 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 is not available for future appropriations.

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

H. **Restricted Assets**

The County has $7,618,999 restricted cash deposited with fiscal agents to meet Certificates of Participation, Pension Obligation Bond and other long-term debt reserve fund requirements.

I. **Property Tax Revenue**

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

Alternative Method of Distribution of Tax Levies

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

The County maintains 25% of the total delinquent secured taxes for participating entities in the County, as calculated at the end of the fiscal year, in the tax loss reserve fund. The balance in the fund was approximately $1.3 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 $2,000 and an estimated useful life in excess of one year.

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

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. **Deferred Revenue and Unearned Revenue**

Governmental funds report deferred revenue in connection with receivables not considered available to liquidate liabilities of the current period. Governmental and enterprise funds report unearned revenue in connection with resources that have been received, but not yet earned.

L. **Interfund Transactions**

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

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

M. **Estimates**

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

Note 2: Stewardship, Compliance and Accountability

Deficit Fund Equity

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

Fund	Deficit
General Fund	$ 16,339,738
Special Revenue Funds:	
Mental Health Services	8,167,670
Lighting Special District – Alexander Estates	22,301
Lighting Special District – Noyo	12,746
Miscellaneous Grants	146,677
Capital Project Funds:	
Capital Projects	8,781
Internal Service Funds:	
Unemployment Insurance	543,047
Retiree Health Insurance	421,560

The deficit equity in the General Fund has resulted from excess expenditures over revenues and the recognition of an advance due to the Tax Resources Fund of $11.5 million. At year-end the General Fund has $6.3 million in receivables that will be recognized as revenue in 2011. The County has plans to repay the $11.5 million advance over several years.

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 at more than $8 million, receivables recorded as deferred revenue comprise in excess of that amount.

The deficit equity in the Miscellaneous Grant fund is due to several programs incurring expenditures on a reimbursement basis. The fund is reporting $1,000,000 in deferred revenue to account for receivables that do not meet the availability criteria.

Note 2: **Stewardship, Compliance and Accountability** (continued)

Deficit Fund Equity (continued)

The Internal Service Funds for insurance (unemployment and retiree health) had a deficit fund equity at fiscal year ending June 30, 2010, 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.

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.

Note 3: **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.

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

The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority: safety, liquidity, yield, and public trust.

Note 3: **Cash and Investments** (continued)

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 quarter. The report covers the type of investments in the pool, maturity dates, par value, actual costs and fair value.

At June 30, 2010, total County cash and investments were as follows:

Cash:		
Cash on hand	$	1,869,630
Imprest cash		12,609
Overdrafts (deposits less outstanding warrants)		(3,166,380)
Cash in trust, Pension Trust Fund		1,075,901
Total cash (overdrafts)		(208,240)
Investments:		
In Treasurer's pool		140,869,696
With fiscal agents		7,618,999
Total investments		148,488,695
Total cash and investments	$	148,280,455

Total cash and investments at June 30, 2010, were presented on the County's financial statements as follows:

Primary government	$	22,742,391
Investment trust fund		109,313,336
Pension trust fund		16,191,776
Agency funds		32,952
Total cash and investments	$	148,280,455

Deposits – Custodial Risk

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

Note 3: **Cash and Investments** (continued)

Deposits – Custodial Risk (continued)

At June 30, 2010, the carrying value of the County's deposits was $(3,166,380) and the bank balance was $8,147,832. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, $250,000 was covered by Federal Depository Insurance Corporation (FDIC) and the remainder was covered by the multiple financial institution collateral pool that insures public deposits.

Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk. The County annually adopts a "Statement of Investment Policy." The policy is based on criteria established by government code and adds further restrictions as to the types of investments allowed, concentration limits and maximum terms.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Federal Agency Obligations	5 years	None	None
U.S. Treasury Bills	5 years	None	None
State of California obligations	5 years	None	None
Local Agency bonds and obligations	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None
California Asset Management Program	N/A	None	None

At June 30, 2010, the County held 40.11% of its investments in medium term notes while State law and the County's investment policy places a limit of 30% of the portfolio. This requirement is generally considered to be applicable at the time an investment is purchased. When the most recently acquired medium term note was purchased, the County did not exceed the 30% limitation and is considered to be in compliance.

Note 3: **Cash and Investments** (continued)

Investments (continued)

At June 30, 2010, the difference between the cost and fair values was not material. Therefore, an adjustment to fair value was not made (fair value was 100.14% of carrying value).

At June 30, 2010, the County had the following investments:

	Interest Rates	Maturities	Par	Fair Value	Carrying Value	WAM (Years)
Investments in Investment Pool						
Medium Term Corporate Notes	0.35% - 1.50%	7/6/10 - 9/27/13	57,178,000	56,586,697	56,385,418	1.78
Negotiable Certificate of Deposits	0.17% - 1.18%	7/8/10 - 11/30/12	29,000,000	29,000,020	29,000,000	1.35
Union Bank SWEEP account	Variable	On Demand	484,278	484,278	484,278	0.00
California Local Agency Investment Fund	Variable	On Demand	50,000,000	50,000,000	50,000,000	0.00
California Asset Management Program	Variable	On Demand	5,000,000	5,000,000	5,000,000	0.00
Total investments in investment pool			141,662,278	141,070,995	140,869,696	0.99
Investments Outside Investment Pool						
Cash held with fiscal agent						
Money market mutual funds	Variable	On Demand	7,618,999	7,618,999	7,618,999	0.00
Total investments outside investment pool			7,618,999	7,618,999	7,618,999	0.00
Total investments			$ 149,281,277	$ 148,689,994	$ 148,488,695	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County manages its exposure to declines in fair values by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to provide the necessary cash flow and liquidity needed for operations. The County monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The County had invested $56,385,418 in floating rate securities. These are tied to the one or three month London Interbank Offer Rate (LIBOR) index.

Credit Risk

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

Note 3: **Cash and Investments** (continued)

Concentration of Credit Risk

At June 30, 2010, the County held 10.53%, or $14,858,430, of its net investment in medium term notes issued by General Electric Capital Corporation. The County also held 7.10% ($10,014,100) and 5.66% ($7,988,560), respectively, in negotiable certificates of deposit issued by Barclay's Bank of New York and Nordea Bank of Finland. The County did not have 10% or more of its net investment in a single mutual fund.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's carrying value at June 30, 2010.

	S&P	Moody's	% of Portfolio
Investments In Investment Pool			
Medium Term Corporate Notes	AAA	AAA	10.53%
Medium Term Corporate Notes	AA+	AA3	1.42%
Medium Term Corporate Notes	AA-	AA3	2.79%
Medium Term Corporate Notes	AA-	A2	2.03%
Medium Term Corporate Notes	AA	AA1	3.55%
Medium Term Corporate Notes	AA	AA3	4.19%
Medium Term Corporate Notes	A+	AA1	3.54%
Medium Term Corporate Notes	A+	AA3	4.50%
Medium Term Corporate Notes	A	A2	7.56%
Negotiable Certificates of Deposit	AA-	AA3	7.10%
Negotiable Certificates of Deposit	Unrated	A2	3.54%
Negotiable Certificates of Deposit	Unrated	AA2	4.25%
Negotiable Certificates of Deposit	Unrated	Unrated	5.66%
Union Bank SWEEP	Unrated	Unrated	0.34%
California Local Agency Investment Fund	Unrated	Unrated	35.46%
California Asset Management Program	Unrated	Unrated	3.54%
			100.00%

Custodial Credit Risk

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

Note 3: **Cash and Investments** (continued)

Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the state in addition to those deposited with LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2010, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was $50 million, which approximates fair value and is the same as the value of the pool shares which is determined on an amortized cost basis. The total amount invested by all public agencies in PMIA on that day was $69.4 billion. Of that amount, 10.84% was invested in structured notes and asset-backed securities with the remaining 89.16% invested in other non-derivative financial products.

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):

Highly Sensitive Investments	Fair Value
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.	$ 56,586,697

Note 3: **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 investment pool as of June 30, 2010:

Statement of Net Assets

Net assets held for pool participants	$ 139,264,889
Equity of internal pool participants	$ 29,951,553
Equity of external pool participants	109,313,336
Total net assets	$ 139,264,889

Statement of Changes in Net Assets

Net assets for pool participants at July 1, 2009	$ 171,019,583
Net change in investments by pool participants	(31,754,694)
Net assets at June 30, 2010	$ 139,264,889

Note 4: **Endowments**

For the year ended June 30, 2010, the net appreciation on investments of donor-restricted endowments was $4,149. Under local ordinances and State statutes, the County is authorized based on a total-return policy to spend the appreciation on the supplies and maintenance of the community libraries and museums.

Note 5: **Short-Term Note Payable**

On July 2, 2009, the County issued a $26,255,320 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, 2010, and was repaid with taxes and other revenues by June 24, 2010.

Short-term note payable activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Short-term note payable	$ --	$ 26,255,320	$ 26,255,320	$ --

Note 6: **Interfund Transactions**

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2010, are as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
Agency Fund	General Fund	$ 11,499,287

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 June 30, 2010
Negative cash in the Tax Resources Fund	$ 12,762,002
Less:	
Positive cash in the Tax Loss Reserve Fund	1,262,715
	$ 11,499,287

The County's tentative payment schedule for the next 18 years is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 451,827	$ 317,378	$ 769,205
2012	465,382	303,823	769,205
2013	479,343	289,862	769,205
2014	493,723	275,481	769,204
2015	508,535	260,670	769,205
2016-2020	2,780,878	1,065,146	3,846,024
2021-2025	3,223,799	622,224	3,846,023
2026-2030	3,095,800	131,833	3,227,633
	$11,499,287	$3,266,417	$14,765,704

Note 6: **Interfund Transactions** (continued)

Interfund Receivables/Payables (continued)

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
Road Fund	Mental Health Fund	$ 4,000,000
Nonmajor Governmental Funds	Mental Health Fund	2,950,000
Internal Service Funds	General Fund	1,150,000
	Agency Fund	770,000
	Nonmajor Governmental Funds	780,000
		$ 9,650,000

The above balances reflect temporary cash advances.

Transfers:

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

Transfer From	Transfer To	Amount
General Fund	Debt Service Fund	$ 2,428,104
	Mental Health Services	1,971,000
	Road Fund	3,317,169
	Pension Obligation Fund	6,598,466
	Nonmajor Governmental Funds	1,827,416
		16,142,155
Mental Health Services Fund	General Fund	431,430
	Debt Service Fund	45,640
	Pension Obligation Fund	336,952
		814,022
Road Fund	General Fund	432,751
	Pension Obligation Fund	333,859
		766,610

Note 6: **Interfund Transactions** (continued)

Interfund Receivables/Payables (continued)

Transfer From	Transfer To	Amount
Internal Service Funds	General Fund	$ 90,850
	Pension Obligation Fund	34,349
		125,199
Nonmajor Governmental Funds	General Fund	218,878
	Pension Obligation Fund	835,588
	Nonmajor Governmental Funds	89,168
		1,143,634
		$ 18,991,620

Note 7: **Capital Assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2010
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 2,822,620	$ --	$ --	$ --	$ 2,822,620
Construction in progress	5,830,137	11,927,173	--	(7,046,487)	10,710,823
Total capital assets, not being depreciated	8,652,757	11,927,173	--	(7,046,487)	13,533,443
Capital assets, being depreciated:					
Infrastructure	57,418,607	--	--	6,781,031	64,199,638
Structures and improvements	69,085,158	222,839	--	1,390	69,309,387
Equipment	24,395,673	853,172	(91,624)	372,689	25,529,910
Improvements other than buildings	5,490,523	61,901	--	(100)	5,552,324
Total capital assets, being depreciated	156,389,961	1,137,912	(91,624)	7,155,010	164,591,259
Less accumulated depreciation for:					
Infrastructure	(24,748,979)	(1,755,968)	--	108,492	(26,396,455)
Structures and improvements	(27,287,151)	(1,865,868)	--	229,579	(28,923,440)
Equipment	(17,294,319)	(1,440,661)	91,624	(375,978)	(19,019,334)
Improvements other than buildings	(2,637,518)	(204,671)	--	98,557	(2,743,632)
Total accumulated depreciation	(71,967,967)	(5,267,168)	91,624	60,650	(77,082,861)
Total capital assets, being depreciated, net	84,421,994	(4,129,256)	--	7,215,660	87,508,398
Governmental activities capital assets, net	$ 93,074,751	$ 7,797,917	$ --	$ 169,173	$ 101,041,841

Note 7: **Capital Assets** (continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	$ 923,380
Public protection	1,351,771
Public ways and facilities	2,206,595
Health and sanitation	370,610
Public assistance	306,696
Education	75,153
Recreation and culture	12,868
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	20,095
Total Depreciation Expense - Governmental Functions	$ 5,267,168

Note 8: **Long-Term Liabilities**

Individual issues of loans, bonds and certificates of participation outstanding at June 30, 2010, are as follows:

Governmental Activities Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
Loans Payable					
Microwave Radio Network equipment loan	8/1/2013	4.30%	$210,945-$288,591	$ 2,600,000	$ 1,896,960
California Energy Commission Loan – 2004	12/22/05-12/22/16	3.95%	$3,000-$14,000	250,000	134,068
Total Loans Payable				$ 2,850,000	$ 2,031,028
Taxable Pension Obligation Bonds					
2002 Series (Issued to partially refund the 1996 Series and to meet the net pension obligation of the County's retirement plan)	7/01/04-7/01/26	2.07%-5.77%	$885,000-$7,560,000	91,945,000	86,220,000
Total Taxable Pension Obligation Bonds				$ 91,945,000	$ 86,220,000
Certificates of Participation					
2000 Issue (Refunding of 1998 COPs)					
Serial Current Interest Certificates	6/01/04-6/01/16	4.10%-5.0%	$75,000-$535,000	$ 6,120,000	$ 2,870,000
Term Current Interest Certificates	6/1/2030	5.25%	$570,000-$1,905,000	16,360,000	16,360,000
2000 Issue				22,480,000	19,230,000

Note 8: **Long-Term Liabilities** (continued)

Governmental Activities Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
Certificates of Participation (continued) **2001 Issue** (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	$ 4,110,000
Term Current Interest Certificates	6/01/2024	4.98%	$480,000-$525,000	1,510,000	1,510,000
2001 Issue				7,965,000	5,620,000
Total Certificates of Participation				$ 30,445,000	$ 24,850,000

A. Summary of Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities					
Certificates of participation	$ 25,580,000	$ --	$ (730,000)	$ 24,850,000	$ 720,000
Bonds payable	89,275,000	--	(3,055,000)	86,220,000	3,240,000
Loans payable	2,544,551	--	(513,523)	2,031,028	535,766
Capital leases	546,272	26,905	(280,967)	292,210	209,198
Compensated absences	5,399,936	4,577,085	(4,499,954)	5,477,067	5,477,067
Liability for self-insurance	4,049,390	9,207,410	(10,522,261)	2,734,539	2,734,539
Landfill postclosure costs	8,403,084	--	(98,802)	8,304,282	--
Total Governmental Activities	$ 135,798,233	$ 13,811,400	$ (19,700,507)	$ 129,909,126	$ 12,916,570

As of June 30, 2010, annual debt service requirements of governmental activities to maturity are as follows:

	Governmental Activities					
Year Ending	Certifications of Participation		Bonds Payable		Loans Payable	
June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 720,000	$ 1,260,234	$ 3,240,000	$ 4,675,324	$ 535,766	$ 81,186
2012	755,000	1,228,702	3,405,000	4,509,199	558,961	57,993
2013	790,000	1,192,328	3,575,000	4,334,699	583,183	33,769
2014	830,000	1,153,718	3,755,000	4,151,449	313,647	8,509
2015	870,000	1,115,258	3,940,000	3,948,830	26,056	1,305
2016-2020	5,015,000	4,898,719	23,210,000	16,135,450	13,415	266
2021-2025	7,265,000	3,458,955	30,385,000	8,750,535	--	--
2026-2030	8,605,000	1,401,710	14,710,000	860,596	--	--
	$ 24,850,000	$ 15,709,624	$ 86,220,000	$ 47,366,082	$ 2,031,028	$ 183,028

Note 8: **Long-Term Liabilities** (continued)

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

Claims and judgments will be paid from the County's risk management internal service funds. A majority of the claims are paid through internal service fund charges to the general fund and special revenue funds. Compensated absences liabilities will be paid by several of the County's funds, including the general fund, special revenue funds, and other internal service funds.

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 $3,347,128.

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

The County has entered into lease agreements for data processing systems, copy machines, and other equipment, with interest rates raging from 4.0% to 16.7%. The minimum future lease commitments on these leases are as follows:

Fiscal Year Ending June 30,	Payments
2011	$ 221,294
2012	86,999
Total Minimum Lease Payments	308,293
Less Amount Representing Interest	(16,083)
Present Value of Net Minimum Lease Payments	$ 292,210

Note 8: **Long-Term Liabilities** (continued)

B. **Leases** (continued)

Capital Leases (continued)

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

	Governmental Activities
Equipment	$ 1,289,805
Less: accumulated amortization	(962,877)
Net Value	$ 326,928

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 $5,477,067. The entire amount was considered current, based on experience.

Note 9: **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 $8,304,282 reported as landfill closure/postclosure liability at June 30, 2010, 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 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Note 9: **Municipal Solid Waste Landfill Closure and Postclosure Care Costs** (continued)

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

Location	Ownership of Landfill	Percent Filled	Expected Closure Date	Estimated Liability at June 30, 2010
Caspar Landfill	Mendocino County/ City of Fort Bragg	100%	Closed	$ 1,282,134
South Coast Landfill	Mendocino County	100%	2034	4,247,024
Laytonville Landfill	Mendocino County	100%	Closed	2,775,124
				$ 8,304,282

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, 2010, investments of $2,958,079 are held for these purposes. The County intends to obtain either a grant or issue debt to fund the closure costs. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 10: **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.

Note 10: **Net Assets/Fund Balances** (continued)

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, 2010, 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.

- *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 11: **County Employees Retirement Plan (Defined Benefit Pension Plan)**

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

Note 11: **County Employees Retirement Plan (Defined Benefit Pension Plan)** (continued)

Plan Description (continued)
employees, one member is elected by safety county employees, two members are elected by county retirees, one alternate, and one member is the County Treasurer who is an ex-officio board member and administrator of the retirement system.

Funding Policy
Employees of the County and the special districts contribute to the plan. County contributions for the plan's year ended June 30, 2010, were $8,234,253; contributions by the employees of the County, special districts, and the Courts were $6,502,080.

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 0.00 percent per year attributable to merit/longevity, and c) additional projected salary increases of 4.00 percent per year attributable to inflation.

The Association was audited by other auditors. The last audit performed was for the year ended June 30, 2010. A complete financial statement of the Association is available at the Auditor-Controller's Office of the County of Mendocino, and is also posted at www.co.mendocino.ca.us/retirement/reports.htm.

The County's annual pension cost and prepaid pension asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2010, were as follows (in thousands):

Annual required contribution (County fiscal year basis)	$ 9,571
Interest on beginning pension asset	(5,396)
Adjustment to the annual required contribution	9,636
Annual pension cost	13,811
Contributions made	8,710
Increase (Decrease) in pension asset	(5,101)
Net pension asset, beginning of year	67,449
Net pension asset, end of year	$ 62,348

Note 11: **County Employees Retirement Plan (Defined Benefit Pension Plan)** (continued)

Annual Pension Cost (continued)
The following table shows the County's annual pension cost and the percentage contributed for the fiscal year 2009-2010 and each of the two preceding fiscal years (in thousands):

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Contributions	Percentage of APC Contributed	Net Pension Asset
2008*	$ 9,403	$ 7,666	82%	$ 68,031
2009	9,107	8,525	94%	67,449
2010	13,811	8,710	63%	62,348

* Restated

The difference between the ARC and the APC is due to the amortization of the Net Pension Asset.

The following is the funded status information for the plan as of June 30, 2010, the most recent actuarial valuation date (dollar amounts in thousands):

Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
$ 434,987	$ 343,202	$ 91,785	78.9%	$ 69,004	133.0%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 12: Other Postemployment Benefits (OPEB)

Plan Description

The Mendocino County Employees Retirement Health Plan is a cost-sharing multiple employer defined benefit healthcare plan administered by the County. The Plan provides medical insurance benefits to eligible retirees. The Association is administered under the authority of the County Employees Retirement Law of 1937.

Employees hired before September 1998 who retire from active employment with the County and meet the following requirements are eligible for lifetime coverage under the Mendocino County Employees Retirement Health Plan: 1) has 10 or more years of service with Mendocino County; 2) is at least 50 on the date of retirement; and 3) makes the required contributions (if any) for retiree coverage as required by the Plan Administrator. Retirees have no required contributions for their own coverage. A contribution of $510 per month is required for dependent coverage. A payment reserve of $510 for each eligible retiree is set aside each month for health care costs.

In August 2010, the County implemented substantial changes to Retiree Health Insurance that limit the County's Other Post Employment Benefit (OPEB) liability. Medicare eligible retirees were transitioned from the County's plan and provided with a Health Reimbursement Account (HRA) of $104 per month, intended to assist the retiree in offsetting the cost of a Medicare supplemental policy. The HRA contribution will continue until funds from the retiree health reserves are depleted, estimated to be sometime during 2011/12.

In January 2009, non-Medicare eligible retirees were required to pay a premium if they chose to remain in the plan. The premium was increased in January 2010, then subsidized by a $200 per month contribution from the retiree health reserves in August 2010. This subsidy will continue until the reserves are depleted. Retiree dependent coverage is available at the full premium cost.

Once the retiree health reserve is depleted, retirees will bear the full cost of their health coverage, whether through a Medicare supplemental program or the County's retiree plan. Should the County receive funding from Health Care Reform, those funds will be applied to the retiree health program.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the County. The contribution is based on pay-as-you-go financing requirements. For fiscal year 2009-10, the County contributed $5,403,950 or 73% of the actuarially required contributions for the year ended June 30, 2009, to the Retiree Health Plan.

Note 12: **Other Postemployment Benefits (OPEB)** (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. The County's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Health Plan (dollar amount in thousands):

Annual required contribution	$ -- (1)
Annual OPEB cost (expense)	-- (1)
Contributions made	(5,404)
Adjustment to offset contributions made	5,404
Change in liability in retiree health insurance fund	(254)
Decrease in net OPEB obligation	(254)
Net OPEB obligation - beginning of year	6,226
Net OPEB obligation - end of year	$ 5,972

(1) Data for fiscal year ended June 30, 2010 was not available.

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the Plan (as described in the funding policy above), and the Net OPEB Obligation for fiscal years 2008-09 is as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	$ 7,372	$ 3,950	53.60%	$ 3,422
6/30/09	7,372	4,568	62.00%	6,226

Data for fiscal year ended June 30, 2010 was not available.

Note 12: **Other Postemployment Benefits (OPEB)** (continued)

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2007, the plan's most recent actuarial valuation date, was as follows (amounts in thousands):

Actuarial accrued liability (AAL)	$ 129,377
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	$ 129,377
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active Plan members)	$ 25,261
UAAL as a percentage of covered payroll	512.2%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return, an inflation rate of 3.25% per year, and assumed medical inflation of 11% graded down to 5% over 9 years. The OPEB plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 30 years. The remaining amortization period at June 30, 2009, was 27years.

Note 13: 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. The County has received notice of audit findings related to its state-funded mental health program that call into question approximately $1,000,000 of expenditures from the 2002-2003 and 2003-2004 fiscal years. However, the County is actively disputing this amount and the outcome is uncertain. As of June 30, 2010, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

Note 14: 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 $764,567.

Note 14: **Risk Management** (continued)

B. **General Liability Insurance**

The County maintains a self-insured retention (SIR) of $200,000 per occurrence for this program. Losses which exceed the SIR are covered by excess insurance obtained through CSAC-Excess Insurance Authority. This program is the only insurance program administered without the benefit of a third party administrator. The administration of this program is a joint effort between the Risk Management Division and the Office of the County Counsel. The liability for unpaid claims was based on actual outstanding claims at June 30, 2010, 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 $488,927 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 $1,481,045.

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

	Unemployment Insurance	General Liability	Health Insurance	Total
Claims liability, July 1, 2008	$ 472,221	$ 1,408,117	$ 1,980,869	$ 3,861,207
Current year claims and changes in estimates	135,320	221,567	11,230,396	11,587,283
Claims payments	(267,727)	(202,359)	(10,929,014)	(11,399,100)
Claims liability, June 30, 2009	$ 339,814	$ 1,427,325	$ 2,282,251	$ 4,049,390
Claims liability, July 1, 2009	$ 339,814	$ 1,427,325	$ 2,282,251	$ 4,049,390
Current year claims and changes in estimates	1,068,816	(581,050)	8,719,644	9,207,410
Claims payments	(644,063)	(357,348)	(9,520,850)	(10,522,261)
Claims liability, June 30, 2010	$ 764,567	$ 488,927	$ 1,481,045	$ 2,734,539

Note 15: Special Items

The County adjusted the interfund advance between the General Fund and the Tax Resources Fund by $10,325,585 to reflect the entire net deficit reported in both the Tax Resources and Tax Loss Reserve funds at the beginning of the year. Previously, the General Fund was reducing its obligation to these Teeter Funds by the balance of secured property taxes receivable at the end of the year. The updated interfund advance liability more accurately reflects the balance of the Teeter obligation note between the General Fund and the Tax Resources Fund approved by the Board of Supervisors.

The County chose to remove the portion of its OPEB obligation that is based on an actuarial valuation from its Retiree Health Insurance internal service fund since it has no immediate plans to prefund its OPEB plan on a cost-reimbursement basis. The net OPEB obligation is reported as a liability in the government-wide financial statements.

Note 16: Subsequent Events

On July 1, 2010, the County issued a $24,525,630 tax and revenue anticipation note. The funds were budgeted for operations. The note is due and payable June 2011, and carries a 2.0% interest rate.

Note 17: Future Accounting Pronouncements

Governmental Accounting Standards Board Statement 54

The Governmental Accounting Standards Board (GASB) recently released accounting and financial reporting standard, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

GASB 54 establishes new accounting and financial reporting standards for all governments that report governmental funds. The statement provides more clearly defined categories within fund balance to make the nature and extent of the constraints placed on the fund balance more transparent. GASB Statement No. 54 also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund statements. The requirements of this statement will be implemented by the County for the fiscal year ending June 30, 2011 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MENDOCINO

Required Supplementary Information
For the Year Ended June 30, 2010

SCHEDULE OF FUNDING PROGRESS – RETIREMENT PLAN

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 (in thousands):

Valuation Date	Entry Age Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability (UAAL)	Funded Ratio	Annual Covered Payroll[(1)]	UAAL as a % of Payroll
6/30/08	$ 373,852	$ 353,421	$ 20,411	94.5%	$ 70,880	28.8%
6/30/09	403,196	336,263	66,933	83.4%	72,235	92.7%
6/30/10	434,987	343,202	91,785	78.9%	69,004	133.0%

(1) Plan members include the County of Mendocino, the Mendocino County Courts and the Russian River Cemetery District.

SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTH PLAN

The table below shows an 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 (in thousands):

In future years, three year trend information will be presented. Fiscal year 2007-08 was the first year of implementation of GASB Statement 45, and the County elected to implement prospectively; therefore prior year comparative data is not available.

Valuation Date	Entry Age Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
7/01/07	$ 129,377	$ --	$ 129,377	00.0%	$ 25,261	512.2%

COUNTY OF MENDOCINO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 60,020,929	$ 60,020,929	$ 56,220,827	$ (3,800,102)
Licenses and permits	2,619,619	2,619,619	2,468,257	(151,362)
Fines, forfeits and penalties	2,179,226	2,433,656	2,649,205	215,549
Revenue from use of money and property	1,210,828	1,210,828	456,350	(754,478)
Intergovernmental	79,381,138	79,528,969	67,520,458	(12,008,511)
Charges for services	12,317,187	12,333,828	11,302,738	(1,031,090)
Other revenue	1,015,002	1,015,002	1,570,879	555,877
Total Revenues	158,743,929	159,162,831	142,188,714	(16,974,117)
Expenditures:				
Current:				
General government	15,363,520	15,404,914	15,055,911	349,003
Public protection	47,499,922	47,618,601	48,047,974	(429,373)
Public way and facilities	128,701	128,701	195,306	(66,605)
Health and sanitation	15,073,754	15,139,055	13,446,350	1,692,705
Public assistance	63,808,211	63,823,079	54,733,380	9,089,699
Education	303,874	303,874	229,252	74,622
Recreation and cultural services	354,558	354,558	334,582	19,976
Debt service - principal	4,569,204	4,569,204	5,382,104	(812,900)
Debt service - interest	1,108,195	1,108,195	731,959	376,236
Capital outlay	4,244,825	4,559,821	2,342,074	2,217,747
Contingencies	50,760	50,760	--	50,760
Total Expenditures	152,505,524	153,060,762	140,498,892	12,561,870
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,238,405	6,102,069	1,689,822	(4,412,247)
Other Financing Sources (Uses):				
Transfers in	1,328,576	1,333,576	1,173,909	(159,667)
Transfers out	(7,815,314)	(7,815,314)	(9,543,689)	(1,728,375)
Total Other Financing Sources (Uses)	(6,486,738)	(6,481,738)	(8,369,780)	(1,888,042)
Special Item - Teeter Fund Advance	--	--	(10,325,585)	(10,325,585)
Net change in fund balances	(248,333)	(379,669)	(17,005,543)	(16,625,874)
Fund balances - beginning	(1,085,680)	(1,085,680)	(1,085,680)	--
Fund balances - ending	$ (1,334,013)	$ (1,465,349)	$ (18,091,223)	$ (16,625,874)

continued

COUNTY OF MENDOCINO

Budgetary Comparison Schedule (continued)
General Fund
For the Year Ended June 30, 2010

Reconciliation to the statement of revenues, expenditures and changes in fund balance - General Fund	
Total expenditures from the budgetary comparison schedule:	$ 140,498,892
The County budgets transfers to the Pension Obligation Fund as functional expenditures.	(6,598,466)
The County budgets transfers to the Tax Resources Fund as a debt service expenditure, but reports the disbursement as a reduction of taxes revenue and advances from other funds.	(5,382,104)
Total expenditures from the statement of revenues, expenditures and changes in fund balance - General Fund	$ 128,518,322
Total revenues from the budgetary comparison schedule:	$ 142,188,714
The County budgets transfers to the Tax Resources Fund as a debt service expenditure, but reports a portion of the disbursement as a reduction of the taxes revenue.	(3,630,619)
Total revenues from the statement of revenues, expenditures and changes in fund balance - General Fund	$ 138,558,095

COUNTY OF MENDOCINO

Budgetary Comparison Schedule
Mental Health Services Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Revenue from use of money and property	$ (275,000)	$ (275,000)	$ (32,613)	$ 242,387
Intergovernmental	22,926,185	22,926,185	16,546,392	(6,379,793)
Charges for services	1,025,000	1,025,000	1,531,564	506,564
Other revenues	--	--	43,787	43,787
Total Revenues	23,676,185	23,676,185	18,089,130	(5,587,055)
Expenditures:				
Current:				
Health and sanitation	23,184,881	22,879,481	21,184,608	1,694,873
Capital outlay	--	5,400	--	5,400
Total Expenditures	23,184,881	22,884,881	21,184,608	1,700,273
Excess (Deficiency) of Revenues Over (Under) Expenditures	491,304	791,304	(3,095,478)	(3,886,782)
Other Financing Sources (Uses):				
Transfers in	--	--	1,971,000	1,971,000
Transfers out	(477,070)	(477,070)	(477,070)	--
Total Other Financing Sources (Uses)	(477,070)	(477,070)	1,493,930	1,971,000
Net change in fund balances	14,234	314,234	(1,601,548)	(1,915,782)
Fund balances - beginning	(6,566,122)	(6,566,122)	(6,566,122)	--
Fund balances - ending	$ (6,551,888)	$ (6,251,888)	$ (8,167,670)	$ (1,915,782)

COUNTY OF MENDOCINO

Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 166,000	$ 166,000	$ 143,262	$ (22,738)
Licenses, permits and franchises	73,100	73,100	75,307	2,207
Revenue from use of money and property	12,500	12,500	13,859	1,359
Fines, forfeitures and penalties	67,000	67,000	71,883	4,883
Intergovernmental	27,954,795	27,954,795	12,487,169	(15,467,626)
Charges for services	248,000	248,000	238,020	(9,980)
Other revenue	30,500	30,500	15,056	(15,444)
Total Revenues	28,551,895	28,551,895	13,044,556	(15,507,339)
Expenditures:				
Current:				
Public ways and facilities	11,653,092	11,655,252	8,822,538	2,832,714
Capital outlay	23,570,668	23,593,991	10,158,848	13,435,143
Total Expenditures	35,223,760	35,249,243	18,981,386	16,267,857
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,671,865)	(6,697,348)	(5,936,830)	760,518
Other Financing Sources (Uses):				
Transfers in	3,317,169	3,317,169	3,317,169	--
Transfers out	(544,751)	(544,751)	(427,751)	117,000
Total Other Financing Sources (Uses)	2,772,418	2,772,418	2,889,418	117,000
Net change in fund balances	(3,899,447)	(3,924,930)	(3,047,412)	877,518
Fund balances - beginning	4,865,097	4,865,097	4,865,097	--
Fund balances - ending	$ 965,650	$ 940,167	$ 1,817,685	$ 877,518

BUDGETARY BASIS OF ACCOUNTING

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

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

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

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.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the General Fund's Teeter Plan budget unit where debt service principal expenditures exceeded appropriations by $812,900. These over expenditures were to reduce the amount of the advance payable to the Tax Resources Fund.

SUPPLEMENTAL INFORMATION

COUNTY OF MENDOCINO

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue				
	Accumulated Capital Outlay	Library	Fish and Game	Special Aviation	Welfare Advance
Assets					
Cash and investments in County Treasury	$ 389,697	$ 327,118	$ 110,713	$ 118,337	$ 356,090
Imprest cash	--	180	--	--	--
Accounts receivable	--	20,472	--	--	--
Due from other governmental agencies	--	40,600	--	--	--
Due from other funds	--	--	--	--	--
Inventory	--	--	--	--	--
Total Assets	$ 389,697	$ 388,370	$ 110,713	$ 118,337	$ 356,090
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 6,135	$ 10,936	$ 460	$ --	$ --
Accrued salaries and benefits	--	52,839	--	--	--
Due to other funds	--	--	--	--	--
Unearned revenue	--	--	--	--	356,090
Deferred revenue	--	--	--	--	--
Total Liabilities	6,135	63,775	460	--	356,090
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	180	--	--	--
Endowments	--	--	--	--	--
Unreserved:					
Undesignated	383,562	324,415	110,253	118,337	--
Total Fund Balances	383,562	324,595	110,253	118,337	--
Total Liabilities and Fund Balances	$ 389,697	$ 388,370	$ 110,713	$ 118,337	$ 356,090

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue				
	Supplemental Law Enforcement	COPS AB 1913	Sheriff Special Projects	Mobile Spay/ Neuter	Museum Bookstore/ Projects
Assets					
Cash and investments in County Treasury	$ 33,248	$ 60,746	$ 34,314	$ 47,153	$ 103,439
Imprest cash	--	--	--	--	--
Accounts receivable	--	--	--	--	--
Due from other governmental agencies	--	61,514	5,000	--	--
Due from other funds	--	--	--	--	--
Inventory	--	--	--	--	--
Total Assets	$ 33,248	$ 122,260	$ 39,314	$ 47,153	$ 103,439
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ --	$ --	$ 1,852	$ 366	$ 257
Accrued salaries and benefits	4,003	--	--	--	--
Due to other funds	--	--	--	--	--
Unearned revenue	--	--	--	--	--
Deferred revenue	--	--	--	--	--
Total Liabilities	4,003	--	1,852	366	257
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Endowments	--	--	--	--	--
Unreserved:					
Undesignated	29,245	122,260	37,462	46,787	103,182
Total Fund Balances	29,245	122,260	37,462	46,787	103,182
Total Liabilities and Fund Balances	$ 33,248	$ 122,260	$ 39,314	$ 47,153	$ 103,439

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue				
	Recorder Modernization	Micrographics	Assessor	General Plan Update	Realignment
Assets					
Cash and investments in County Treasury	$ 85,690	$ 4,919	$ 46,960	$ 472,701	$ 863,745
Imprest cash	--	--	--	--	--
Accounts receivable	392	474	15	764	--
Due from other governmental agencies	--	--	--	--	--
Due from other funds	--	--	--	--	--
Inventory	--	--	--	--	--
Total Assets	$ 86,082	$ 5,393	$ 46,975	$ 473,465	$ 863,745
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 35	$ 1,810	$ --	$ 65	$ --
Accrued salaries and benefits	--	3,129	--	--	--
Due to other funds	--	--	--	--	--
Unearned revenue	--	--	--	--	863,745
Deferred revenue	--	--	--	--	--
Total Liabilities	35	4,939	--	65	863,745
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Inventory	--	--	--	--	--
Imprest cash	--	--	--	--	--
Endowments	--	--	--	--	--
Unreserved:					
Undesignated	86,047	454	46,975	473,400	--
Total Fund Balances	86,047	454	46,975	473,400	--
Total Liabilities and Fund Balances	$ 86,082	$ 5,393	$ 46,975	$ 473,465	$ 863,745

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue					
	Miscellaneous Grants	Special Revenue Trusts	Landfill Closure	Special Districts Lighting	Special Districts Other	Total Special Revenue
Assets						
Cash and investments in County Treasury	$ 2,769	$ 948,426	$ 8,079	$230,448	$ 717,441	$ 4,962,033
Imprest cash	50	--	--	--	400	630
Accounts receivable	315,361	--	119,168	--	2,762	459,408
Due from other governmental agencies	1,561,985	--	--	--	46,229	1,715,328
Due from other funds	--	--	2,950,000	--	--	2,950,000
Inventory	--	--	--	--	--	--
Total Assets	$ 1,880,165	$ 948,426	$3,077,247	$230,448	$ 766,832	$10,087,399
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 329,072	$ --	$ 8,913	$ --	$ 2,675	$ 362,576
Accrued salaries and benefits	132,103	--	--	--	45,728	237,802
Due to other funds	560,000	--	--	--	--	560,000
Unearned revenue	--	477,502	--	--	--	1,697,337
Deferred revenue	1,005,667	--	--	--	--	1,005,667
Total Liabilities	2,026,842	477,502	8,913	--	48,403	3,863,382
Fund Balances:						
Reserved for:						
Encumbrances	8,412	--	--	--	--	8,412
Inventory	--	--	--	--	--	--
Imprest cash	50	--	--	--	400	630
Endowments	--	--	--	--	--	--
Unreserved:						
Undesignated	(155,139)	470,924	3,068,334	230,448	718,029	6,214,975
Total Fund Balances	(146,677)	470,924	3,068,334	230,448	718,429	6,224,017
Total Liabilities and Fund Balances	$ 1,880,165	$ 948,426	$3,077,247	$230,448	$ 766,832	$10,087,399

continued

COUNTY OF MENDOCINO

Combining Balance Sheet (continued)
Nonmajor Governmental Funds
June 30, 2010

	Capital Projects	Debt Service	Permament Fund	
	Capital Projects	Redevelopment Agency	Endowment Funds	Total
Assets				
Cash and investments in County Treasury	$ 9,994	$ 898,958	$ 1,065,794	$ 6,936,779
Imprest cash	--	--	--	630
Accounts receivable	--	--	--	459,408
Due from other governmental agencies	201,225	--	--	1,916,553
Due from other funds	--	--	--	2,950,000
Inventory	--	9,798	--	9,798
Total Assets	$ 211,219	$ 908,756	$ 1,065,794	$ 12,273,168
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ --	$ 155	$ --	$ 362,731
Accrued salaries and benefits	--	--	--	237,802
Due to other funds	220,000	--	--	780,000
Unearned revenue	--	--	--	1,697,337
Deferred revenue	--	--	--	1,005,667
Total Liabilities	220,000	155	--	4,083,537
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	8,412
Inventory	--	9,798	--	9,798
Imprest cash	--	--	--	630
Endowments	--	--	1,065,794	1,065,794
Unreserved:				
Undesignated	(8,781)	898,803	--	7,104,997
Total Fund Balances	(8,781)	908,601	1,065,794	8,189,631
Total Liabilities and Fund Balances	$ 211,219	$ 908,756	$ 1,065,794	$ 12,273,168

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue				
	Accumulated Capital Outlay	Library	Fish and Game	Special Aviation	Welfare Advance
Revenues:					
Taxes	$ --	$ --	$ --	$ --	$ --
Licenses, permits and franchises	--	--	--	--	--
Aid from other governmental agencies	21,452	223,431	--	--	--
Revenue from use of money and property	1,197	1,918	680	--	--
Fines, forfeitures and penalties	4,000	--	53,348	--	--
Charges for services	48,980	48,984	--	--	--
Other revenue	33,267	9,445	--	--	--
Total Revenues	108,896	283,778	54,028	--	--
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	--	--	77,532	--	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	1,436,484	--	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	256,090	--	22,674	--	--
Total Expenditures	256,090	1,436,484	100,206	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	(147,194)	(1,152,706)	(46,178)	--	--
Other Financing Sources (Uses):					
Transfers In	348,168	1,285,984	--	--	--
Transfers Out	--	(72,261)	--	--	--
Total Other Financing Sources (Uses)	348,168	1,213,723	--	--	--
Net Change in Fund Balances	200,974	61,017	(46,178)	--	--
Fund Balances, Beginning of year	182,588	263,578	156,431	118,337	--
Fund Balances, Ending	$ 383,562	$ 324,595	$ 110,253	$ 118,337	$ --

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue				
	Supplemental Law Enforcement	COPS AB 1913	Sheriff Special Projects	Mobile Spay/ Neuter	Museum Bookstore/ Projects
Revenues:					
Taxes	$ --	$ --	$ --	$ --	$ --
Licenses, permits and franchises	--	--	--	--	--
Aid from other governmental agencies	154,801	207,364	38,397	--	--
Revenue from use of money and property	33	479	54	159	410
Fines, forfeitures and penalties	--	--	--	--	--
Charges for services	--	--	--	25,717	--
Other revenue	--	--	29,926	295	6,987
Total Revenues	154,834	207,843	68,377	26,171	7,397
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	99,010	175,840	42,691	20,420	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	7,465
Capital outlay	--	--	--	--	--
Total Expenditures	99,010	175,840	42,691	20,420	7,465
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,824	32,003	25,686	5,751	(68)
Other Financing Sources (Uses):					
Transfers In	--	--	--	--	--
Transfers Out	(7,090)	(23,516)	(1,804)	--	--
Total Other Financing Sources (Uses)	(7,090)	(23,516)	(1,804)	--	--
Net Change in Fund Balances	48,734	8,487	23,882	5,751	(68)
Fund Balances, Beginning of year	(19,489)	113,773	13,580	41,036	103,250
Fund Balances, Ending	$ 29,245	$ 122,260	$ 37,462	$ 46,787	$ 103,182

continued

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue				
	Recorder Modernization	Micrographics	Assessor	General Plan Update	Realignment
Revenues:					
Taxes	$ --	$ --	$ --	$ --	$ --
Licenses, permits and franchises	--	--	--	--	--
Aid from other governmental agencies	--	--	--	--	--
Revenue from use of money and property	359	(55)	470	2,933	--
Fines, forfeitures and penalties	--	--	--	--	--
Charges for services	35,892	58,305	--	42,432	--
Other revenue	--	19,564	16,270	67	--
Total Revenues	36,251	77,814	16,740	45,432	--
Expenditures:					
Current:					
General government	31,850	74,255	--	--	--
Public protection	--	--	--	220,948	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture services	--	--	--	--	--
Capital outlay	--	--	--	12,438	--
Total Expenditures	31,850	74,255	--	233,386	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,401	3,559	16,740	(187,954)	--
Other Financing Sources (Uses):					
Transfers In	--	--	--	--	--
Transfers Out	--	(3,559)	(83,359)	(129,869)	--
Total Other Financing Sources (Uses)	--	(3,559)	(83,359)	(129,869)	--
Net Change in Fund Balances	4,401	--	(66,619)	(317,823)	--
Fund Balances, Beginning of year	81,646	454	113,594	791,223	--
Fund Balances, Ending	$ 86,047	$ 454	$ 46,975	$ 473,400	$ --

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, 2010

	Special Revenue					
	Miscellaneous Grants	Special Revenue Trusts	Landfill Closure	Special Districts Lighting	Special Districts Other	Total Special Revenue
Revenues:						
Taxes	$ --	$ --	$ --	$ 64,815	$ 117,012	$ 181,827
Licenses, permits and franchises	--	--	--	--	247,236	247,236
Aid from other governmental agencies	8,680,765	--	--	1,352	609,647	9,937,209
Revenue from use of money and property	--	--	11,708	--	2,950	23,295
Fines, forfeitures and penalties	37,000	--	--	--	77,587	171,935
Charges for services	--	--	444,872	--	11,062	716,244
Other revenue	79,112	--	--	--	91,423	286,356
Total Revenues	8,796,877	--	456,580	66,167	1,156,917	11,564,102
Expenditures:						
Current:						
General government	--	--	--	--	--	106,105
Public protection	1,495,044	--	--	--	554,910	2,686,395
Public ways and facilities	--	--	--	44,519	--	44,519
Health and sanitation	3,097,858	--	222,268	--	866,229	4,186,355
Public assistance	3,506,373	--	--	--	--	3,506,373
Education	--	--	--	--	--	1,436,484
Recreation and culture services	(2,962)	--	--	--	--	4,503
Capital outlay	223,146	--	--	--	6,382	520,730
Total Expenditures	8,319,459	--	222,268	44,519	1,427,521	12,491,464
Excess (Deficiency) of Revenues Over (Under) Expenditures	477,418	--	234,312	21,648	(270,604)	(927,362)
Other Financing Sources (Uses):						
Transfers In	--	--	--	--	282,432	1,916,584
Transfers Out	(674,981)	--	(81,000)	--	(66,195)	(1,143,634)
Total Other Financing Sources (Uses)	(674,981)	--	(81,000)	--	216,237	772,950
Net Change in Fund Balances	(197,563)	--	153,312	21,648	(54,367)	(154,412)
Fund Balances, Beginning of year	50,886	470,924	2,915,022	208,800	772,796	6,378,429
Fund Balances, Ending	$ (146,677)	$ 470,924	$ 3,068,334	$ 230,448	$ 718,429	$ 6,224,017

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, 2010

	Capital Projects	Debt Service	Permanent Fund	
	Capital Projects	Redevelopment Agency	Endowment Funds	Total
Revenues:				
Taxes	$ --	$ 724,564	$ --	$ 906,391
Licenses, permits and franchises	--	--	--	247,236
Aid from other governmental agencies	201,225	--	--	10,138,434
Revenue from use of money and property	(19,108)	4,033	4,149	12,369
Fines, forfeitures and penalties	--	--	--	171,935
Charges for services	--	--	--	716,244
Other revenue	31,485	--	14,964	332,805
Total Revenues	213,602	728,597	19,113	12,525,414
Expenditures:				
Current:				
General government	--	728,537	--	834,642
Public protection	--	--	--	2,686,395
Public ways and facilities	--	--	--	44,519
Health and sanitation	--	--	--	4,186,355
Public assistance	--	--	--	3,506,373
Education	--	--	--	1,436,484
Recreation and culture services	--	--	581	5,084
Capital outlay	1,724,537	--	--	2,245,267
Total Expenditures	1,724,537	728,537	581	14,945,119
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,510,935)	60	18,532	(2,419,705)
Other Financing Sources (Uses):				
Transfers In	--	--	--	1,916,584
Transfers Out	--	--	--	(1,143,634)
Total Other Financing Sources (Uses)	--	--	--	772,950
Net Change in Fund Balances	(1,510,935)	60	18,532	(1,646,755)
Fund Balances, Beginning of year	1,502,154	908,541	1,047,262	9,836,386
Fund Balances, Ending	$ (8,781)	$ 908,601	$ 1,065,794	$ 8,189,631

COUNTY OF MENDOCINO

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2010

	Software Acquisition	Vehicle Replacement	Unemployment Insurance	General Liability Insurance
Assets				
Current Assets:				
Pooled cash and investments in county treasury	$ 26,587	$ 84,085	$ 221,520	$ 2,232,305
Other cash	--	--	--	--
Accounts receivable	--	--	--	3,947
Due from other funds	--	--	--	--
Total current assets	26,587	84,085	221,520	2,236,252
Noncurrent assets:				
Depreciable:				
Equipment	96,737	13,799	--	2,438
Less accumulated depreciation	(63,274)	(12,397)	--	(2,438)
Total noncurrent assets	33,463	1,402	--	--
Total Assets	60,050	85,487	221,520	2,236,252
Liabilities				
Current Liabilities:				
Accounts payable	--	--	--	21,407
Accrued salaries and benefits	--	--	--	7,810
Compensated absences payable	--	--	--	7,512
Liability for unpaid claims	--	--	764,567	488,927
Total current liabilities	--	--	764,567	525,656
Noncurrent liabilities:				
Other postemployment benefits (OPEB) liability	--	--	--	--
Total noncurrent liabilities	--	--	--	--
Total Liabilities	--	--	764,567	525,656
Net Assets				
Invested in capital assets, net of related debt	33,463	1,402	--	--
Unrestricted	26,587	84,085	(543,047)	1,710,596
Total Net Assets	$ 60,050	$ 85,487	$ (543,047)	$ 1,710,596

continued

COUNTY OF MENDOCINO

Combining Statement of Fund Net Assets (continued)
Internal Service Funds
June 30, 2010

	Worker's Compensation	Health Insurance	Retiree Health Insurance	Total
Assets				
Current Assets:				
Pooled cash and investments in county treasury	$ 18,615	$ 1,911,761	$ --	$ 4,494,873
Other cash	--	201,576	106,481	308,057
Accounts receivable	964	291,808	44,027	340,746
Due from other funds	--	2,700,000	--	2,700,000
Total current assets	19,579	5,105,145	150,508	7,843,676
Noncurrent assets:				
Depreciable:				
Equipment	--	--	--	112,974
Less accumulated depreciation	--	--	--	(78,109)
Total noncurrent assets	--	--	--	34,865
Total Assets	19,579	5,105,145	150,508	7,878,541
Liabilities				
Current Liabilities:				
Accounts payable	626	3,175	1,742	26,950
Accrued salaries and benefits	9,253	7,115	3,927	28,105
Compensated absences payable	5,809	2,388	4	15,713
Liability for unpaid claims	--	1,481,045	--	2,734,539
Total current liabilities	15,688	1,493,723	5,673	2,805,307
Noncurrent liabilities:				
Other postemployment benefits (OPEB) liability	--	--	566,395	566,395
Total noncurrent liabilities	--	--	566,395	566,395
Total Liabilities	15,688	1,493,723	572,068	3,371,702
Net Assets				
Invested in capital assets, net of related debt	--	--	--	34,865
Unrestricted	3,891	3,611,422	(421,560)	4,471,974
Total Net Assets	$ 3,891	$ 3,611,422	$ (421,560)	$ 4,506,839

COUNTY OF MENDOCINO

Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2010

	Software Acquisition	Vehicle Replacement	Unemployment Insurance	General Liability Insurance
Operating Revenues:				
Charges and fees	$ --	$ 20,536	$ 300,000	$ 1,606,801
Other	--	12,028	--	--
Total Operating Revenues	--	32,564	300,000	1,606,801
Operating Expenses:				
Salaries and benefits	--	--	--	138,709
Services and supplies	57,467	15,779	823	243,912
Insurance	--	--	644,063	865,231
Depreciation	16,731	3,364	--	--
Claims and judgments	--	--	424,753	(581,050)
Total Operating Expenses	74,198	19,143	1,069,639	666,802
Operating Income (Loss)	(74,198)	13,421	(769,639)	939,999
Non-Operating Revenues (Expenses)				
Interest revenue (expense	258	534	2,037	8,366
Capital assets transferred	--	(78,207)	--	--
Total Non-Operating Revenues (Expenses	258	(77,673)	2,037	8,366
Income (Loss) Before Transfers	(73,940)	(64,252)	(767,602)	948,365
Transfers out	--	--	--	(10,448)
Change in net assets before special item	(73,940)	(64,252)	(767,602)	937,917
Special item	--	--	--	--
Net Assets - Beginning	133,990	149,739	224,555	772,679
Net Assets - Ending	$ 60,050	$ 85,487	$ (543,047)	$ 1,710,596

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, 2010

	Worker's Compensation	Health Insurance	Retiree Health Insurance	Total
Operating Revenues:				
Charges and fees	$ 4,292,367	$ 14,782,911	$ 5,370,452	$ 26,373,067
Other	--	--	378,819	390,847
Total Operating Revenues	4,292,367	14,782,911	5,749,271	26,763,914
Operating Expenses:				
Salaries and benefits	184,990	107,954	59,690	491,343
Services and supplies	16,432	10,203,076	4,940,751	15,478,240
Insurance	4,082,966	720,977	468,668	6,781,905
Depreciation	--	--	--	20,095
Claims and judgments	--	(801,206)	--	(957,503)
Total Operating Expenses	4,284,388	10,230,801	5,469,109	21,814,080
Operating Income (Loss)	7,979	4,552,110	280,162	4,949,834
Non-Operating Revenues (Expenses)				
Interest revenue (expense	(4,215)	8,572	(1,974)	13,578
Capital assets transferred	--	--	--	(78,207)
Total Non-Operating Revenues (Expenses	(4,215)	8,572	(1,974)	(64,629)
Income (Loss) Before Transfers	3,764	4,560,682	278,188	4,885,205
Transfers out	(37,538)	(73,270)	(3,943)	(125,199)
Change in net assets before special item	(33,774)	4,487,412	274,245	4,760,006
Special item	--	--	5,405,372	5,405,372
Net Assets - Beginning	37,665	(875,990)	(6,101,177)	(5,658,539)
Net Assets - Ending	$ 3,891	$ 3,611,422	$ (421,560)	$ 4,506,839

COUNTY OF MENDOCINO

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010

	Software Acquisition	Vehicle Replacement	Unemployment Insurance	General Liability Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from interfund services provided	$ --	$ 32,564	$ 300,000	$ 1,612,296
Cash paid to suppliers for goods and services	(57,467)	(15,779)	(644,886)	(1,468,625)
Cash paid to employees for services	--	--	--	(137,009)
Net Cash Provided (Used) by Operating Activities	(57,467)	16,785	(344,886)	6,662
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	--	--	--	(10,448)
Due from other funds	83,000	139,000	564,000	2,227,000
Net Cash Provided (Used) by Noncapital Financing Activities	83,000	139,000	564,000	2,216,552
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	--	(72,464)	--	--
Net Cash Provided (Used) by Capital and Related Financing Activities	--	(72,464)	--	--
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	258	534	2,037	8,366
Net Cash Provided (Used) by Investing Activities	258	534	2,037	8,366
Net Increase (Decrease) in Cash and Cash Equivalents	25,791	83,855	221,151	2,231,580
Cash and Cash Equivalents, Beginning of Year	796	230	369	725
Cash and Cash Equivalents, End of Year	$ 26,587	$ 84,085	$ 221,520	$ 2,232,305
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (74,198)	$ 13,421	$ (769,639)	$ 939,999
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	16,731	3,364	--	--
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	--	--	5,495
Increase (decrease) in:				
Accounts payable	--	--	--	(2,134)
Accrued salaries	--	--	--	1,172
Compensated absences	--	--	--	528
OPEB Liability	--	--	--	--
Claims liability	--	--	424,753	(938,398)
Net Cash Provided (Used) by Operating Activities	$ (57,467)	$ 16,785	$ (344,886)	$ 6,662
Non cash investing, capital, and financing activities:				
Transfer of capital assets to governmental funds	$ --	$ 78,207	$ --	$ --

continued

COUNTY OF MENDOCINO

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2010

	Worker's Compensation	Health Insurance	Retiree Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from interfund services provided	$ 4,291,403	$ 14,527,055	$ 5,744,996	$ 26,508,314
Cash paid to suppliers for goods and services	(4,098,809)	(10,922,497)	(5,693,553)	(22,901,616)
Cash paid to employees for services	(174,756)	(106,314)	(60,954)	(479,033)
Net Cash Provided (Used) by Operating Activities	17,838	3,498,244	(9,511)	3,127,665
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	(37,538)	(73,270)	(3,943)	(125,199)
Due from other funds	42,000	(1,620,000)	--	1,435,000
Net Cash Provided (Used) by Noncapital Financing Activities	4,462	(1,693,270)	(3,943)	1,309,801
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	--	--	--	(72,464)
Net Cash Provided (Used) by Capital and Related Financing Activities	--	--	--	(72,464)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	(4,215)	8,572	(1,974)	13,578
Net Cash Provided (Used) by Investing Activities	(4,215)	8,572	(1,974)	13,578
Net Increase (Decrease) in Cash and Cash Equivalents	18,085	1,813,546	(15,428)	4,378,580
Cash and Cash Equivalents, Beginning of Year	530	299,791	121,909	424,350
Cash and Cash Equivalents, End of Year	$ 18,615	$ 2,113,337	$ 106,481	$ 4,802,930
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ 7,979	$ 4,552,110	$ 280,162	$ 4,949,834
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	--	--	--	20,095
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(964)	(255,856)	(4,275)	(255,600)
Increase (decrease) in:				
Accounts payable	589	1,556	(29,901)	(29,890)
Accrued salaries	5,682	700	692	8,246
Compensated absences	4,552	940	(1,956)	4,064
OPEB Liability	--	--	(254,233)	(254,233)
Claims liability	--	(801,206)	--	(1,314,851)
Net Cash Provided (Used) by Operating Activities	$ 17,838	$ 3,498,244	$ (9,511)	$ 3,127,665
Non cash investing, capital, and financing activities:				
Transfer of capital assets to governmental funds	$ --	$ --	$ --	$ 78,207

COUNTY OF MENDOCINO

Combining Balance Sheet
Investment Trust Funds
June 30, 2010

	Special Districts Local Boards	School Districts	Total
Assets			
Cash and investments in County Treasury	$ 8,692,940	$ 100,620,396	$ 109,313,336
Fund Balance			
Fund Balance:			
Reserved for pool participants	$ 8,692,940	$ 100,620,396	$ 109,313,336