

GENERAL PURPOSE FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

COUNTY OF MARIN, CALIFORNIA

June 30, 2000

CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
GENERAL PURPOSE FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS	4
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES	6
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS	7
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE AND CAPITAL PROJECTS FUNDS	8
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPES	9
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES	10
NOTES TO COMBINED FINANCIAL STATEMENTS	11
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON PROCEDURES PERFORMED PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION	25

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Supervisors
County of Marin, California

We have audited the accompanying general purpose financial statements of the County of Marin, California, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Marin, as of June 30, 2000, and the results of its operations and its cash flows of its proprietary fund types 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 our report dated December 8, 2000 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Grant Thornton LLP

San Francisco, California
December 8, 2000

County of Marin, California

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2000

(with Comparative Totals for June 30, 1999)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
ASSETS AND OTHER DEBITS											
ASSETS											
Cash and investments in County pool	\$ 65,926,662	\$ 20,669,640	\$ 79,631	\$ 931,486	\$ 36,293	\$ 9,041,470	\$ 269,094,512	\$ -	\$ -	\$ 365,779,694	\$ 282,091,081
Cash with fiscal agents	17,545	-	-	18,011,338	-	84,129	865,455	-	-	18,978,467	24,880,546
Receivables:											
Taxes	385,288	64,210	-	-	-	-	8,700,355	-	-	9,149,853	10,026,695
Interest	3,358,433	470,782	-	-	9,949	215,774	5,965,222	-	-	10,020,160	6,398,437
Other	1,329,028	6,498	-	-	1,142	-	14,831	-	-	1,351,499	733,637
Loans receivable	261,739	-	-	-	-	-	-	-	-	261,739	270,411
Due from other funds	8,133,658	260	-	492,490	-	-	40,914	-	-	8,667,322	10,145,529
Due from other governments	7,292,210	-	-	-	-	-	12,675	-	-	7,304,885	9,328,361
Advances to other funds	225,540	-	-	-	-	-	-	-	-	225,540	1,311,435
Inventories of supplies	254,350	341,039	-	-	13,716	-	-	-	-	609,105	503,332
Prepaid expenses	-	-	-	-	1,051,287	-	-	-	-	1,051,287	852,029
Property and equipment	-	-	-	-	-	-	-	179,753,792	-	179,753,792	168,042,643
OTHER DEBITS											
Amount available for debt retirement	-	-	-	-	-	-	-	-	79,631	79,631	71,691
Amount to be provided for debt retirement	-	-	-	-	-	-	-	-	59,469,079	59,469,079	59,327,623
Total assets and other debits	\$ 87,184,453	\$ 21,552,429	\$ 79,631	\$ 19,435,314	\$ 1,112,387	\$ 9,341,373	\$ 284,693,964	\$ 179,753,792	\$ 59,548,710	\$ 662,702,053	\$ 573,983,450

(Continued on page 5)

County of Marin, California

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (continued)

June 30, 2000

(with Comparative Totals for June 30, 1999)

LIABILITIES, FUND EQUITY AND OTHER CREDITS	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
Liabilities											
Accounts payable and accrued expenses	\$ 5,835,771	\$ 423,684	\$ -	\$ 1,103,246	\$ 218,239	\$ 7,713,368	\$ 232,438	\$ -	\$ -	\$ 15,526,746	\$ 20,000,471
Compensated absences	-	-	-	-	-	-	-	-	7,689,530	7,689,530	7,143,885
Due to other funds	-	79,731	-	-	175,115	587,204	7,825,272	-	-	8,667,322	10,145,529
Advances from other funds	-	225,540	-	-	-	-	-	-	-	225,540	1,311,435
Deferred revenue	710,021	125,185	-	-	263,657	-	-	-	-	1,098,863	1,251,698
Capital lease obligations	-	-	-	-	-	-	-	-	6,634,180	6,634,180	5,270,429
Bonds and loans payable	36,000,000	-	-	-	-	-	-	-	105,000	36,105,000	150,000
Certificates of participation	-	-	-	-	-	-	-	-	45,120,000	45,120,000	46,835,000
Fiduciary liabilities	-	-	-	-	-	-	276,636,254	-	-	276,636,254	242,203,156
Total liabilities	42,545,792	854,140	-	1,103,246	657,011	8,300,572	284,693,964	-	59,548,710	397,703,435	334,311,603
Fund equity and other credits											
Investment in general fixed assets	-	-	-	-	-	-	-	179,753,792	-	179,753,792	168,042,643
Retained earnings	-	-	-	-	455,376	1,040,801	-	-	-	1,496,177	830,820
Fund balances											
Reserved											
Encumbrances	10,360,360	1,660,662	-	1,386,172	-	-	-	-	-	13,407,194	9,519,963
Advances to other funds	225,540	-	-	-	-	-	-	-	-	225,540	356,145
Unreserved											
Designated											
Self insurance	8,459,412	-	-	-	-	-	-	-	-	8,459,412	4,420,838
Contingencies	25,000	-	-	-	-	-	-	-	-	25,000	25,000
State funding uncertainties	2,600,000	-	-	-	-	-	-	-	-	2,600,000	1,800,000
Debt service	-	-	79,631	-	-	-	-	-	-	79,631	71,691
Subsequent years' expenditures	1,920,130	5,349,735	-	17,405,475	-	-	-	-	-	24,675,340	29,310,142
Undesignated	21,048,219	13,687,892	-	(459,579)	-	-	-	-	-	34,276,532	25,294,605
Total fund equity and other credits	44,638,661	20,698,289	79,631	18,332,068	455,376	1,040,801	-	179,753,792	-	264,998,618	239,671,847
Total liabilities, fund equity and other credits	\$ 87,184,453	\$ 21,552,429	\$ 79,631	\$ 19,435,314	\$ 1,112,387	\$ 9,341,373	\$ 284,693,964	\$ 179,753,792	\$ 59,548,710	\$ 662,702,053	\$ 573,983,450

The accompanying notes are an integral part of this statement.

County of Marin, California

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year ended June 30, 2000

(with Comparative Totals for June 30, 1999)

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)	
					2000	1999
Revenues						
Taxes	\$ 65,757,500	\$ 13,688,902	\$ 59,207	\$ -	\$ 79,505,609	\$ 66,475,343
Licenses and permits	6,172,835	90,556	1,053	-	6,264,444	6,110,820
Intergovernmental	121,387,704	7,001,253	-	151,030	128,539,987	123,739,906
Charges for services	11,571,672	243,616	-	-	11,815,288	10,806,906
Fines and forfeits	4,941,254	9,369	-	1,117,351	6,067,974	5,799,831
From use of money and property	8,417,551	1,294,510	-	1,239,112	10,951,173	9,582,102
Miscellaneous	25,374,230	1,790,592	-	68,231	27,233,053	25,012,655
Total revenues	243,622,746	24,118,798	60,260	2,575,724	270,377,528	247,527,563
Expenditures						
Current						
General government	46,421,966	-	-	-	46,421,966	39,963,839
Public safety	77,358,713	6,085,872	-	-	83,444,585	86,023,888
Transportation	1,228,604	9,832,239	-	-	11,060,843	8,670,697
Health	51,683,361	-	-	-	51,683,361	46,332,574
Welfare	38,238,227	-	-	-	38,238,227	36,819,131
Culture and recreation	4,954,769	7,307,966	-	-	12,262,735	11,475,371
Capital outlay	-	-	-	10,521,342	10,521,342	5,290,544
Debt service	-	-	45,000	1,715,000	1,760,000	55,162
Principal	-	-	-	-	-	-
Interest	-	-	7,320	2,026,884	2,034,204	-
Total expenditures	219,885,640	23,226,077	52,320	14,263,226	257,427,263	234,631,206
Excess of revenues over (under) expenditures	23,737,106	892,721	7,940	(11,687,502)	12,950,265	12,896,357
Other financing sources (uses)						
Proceeds from Certificates of Participation	-	-	-	-	-	46,743,262
Payment to refunded Certificates of Participation escrow agent	-	-	-	-	-	(25,201,536)
Transfers from (to) other funds (net)	(5,016,306)	1,389,660	-	625,014	(3,001,632)	-
Residual equity transfer	-	-	-	3,001,632	3,001,632	(1,654,745)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	18,720,800	2,282,381	7,940	(8,060,856)	12,950,265	32,783,338
Fund balances - at beginning of year	25,917,861	18,415,908	71,691	26,392,924	70,798,384	38,015,046
Fund balances - at end of year	\$ 44,638,661	\$ 20,698,289	\$ 79,631	\$ 18,332,068	\$ 83,748,649	\$ 70,798,384

The accompanying notes are an integral part of this statement.

County of Marin, California

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

Year ended June 30, 2000

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 64,840,502	\$ 65,757,500	\$ 916,998	\$ 13,445,718	\$ 13,688,902	\$ 243,184
Licenses and permits	6,101,598	6,172,835	71,237	94,547	90,556	(3,991)
Intergovernmental	128,985,671	121,387,704	(7,597,967)	6,559,969	7,001,253	441,284
Charges for services	11,438,374	11,571,672	133,298	495,000	243,616	(251,384)
Fines and forfeits	4,308,838	4,941,254	632,416	-	9,369	9,369
From use of money and property	7,063,027	8,417,551	1,354,524	1,161,666	1,294,510	132,844
Miscellaneous	26,417,348	25,374,230	(1,043,118)	1,648,453	1,790,592	142,139
Total revenues	249,155,358	243,622,746	(5,532,612)	23,405,353	24,118,798	713,445
Expenditures						
General government	64,189,081	46,421,966	17,767,115	-	-	-
Public safety	82,129,543	77,358,713	4,770,830	19,897,873	6,085,872	13,812,001
Transportation	1,109,300	1,228,604	(119,304)	10,240,443	9,832,239	408,204
Health	55,347,170	51,683,361	3,663,809	-	-	-
Welfare	46,261,902	38,238,227	8,023,675	-	-	-
Culture and recreation	5,293,623	4,954,769	338,854	-	-	-
Contingencies reserves	25,000	-	25,000	9,006,868	7,307,966	1,698,902
Total expenditures	254,355,619	219,885,640	34,469,979	39,145,184	23,226,077	15,919,107
Excess of revenues over (under) expenditures	(5,200,261)	23,737,106	28,937,367	(15,739,831)	892,721	16,632,552
Other financing sources (uses)						
Transfers from (to) other funds (net)	(5,016,306)	(5,016,306)	-	1,389,660	1,389,660	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (10,216,567)	18,720,800	\$ 28,937,367	\$ (14,350,171)	2,282,381	\$ 16,632,552
Fund balances - at beginning of year		25,917,861			18,415,908	
Fund balances - end of year		\$ 44,638,661			\$ 20,698,289	

The accompanying notes are an integral part of this statement.

County of Marin, California

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE AND CAPITAL PROJECTS FUNDS

Year ended June 30, 2000

	Debt Service Funds			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 55,899	\$ 59,207	\$ 3,308	\$ -	\$ -	\$ -
Intergovernmental	934	1,053	119	153,330	151,030	(2,300)
Fines and forfeits	-	-	-	1,120,000	1,117,351	(2,649)
From use of money and property	-	-	-	1,266,815	1,239,112	(27,703)
Miscellaneous	-	-	-	55,876	68,231	12,355
Total revenues	56,833	60,260	3,427	2,596,021	2,575,724	(20,297)
Expenditures						
Capital outlay	-	-	-	32,450,404	10,521,342	21,929,062
Debt service	109,211	52,320	56,891	-	3,741,884	(3,741,884)
Total expenditures	109,211	52,320	56,891	32,450,404	14,263,226	18,187,178
Excess of revenues over (under) expenditures	(52,378)	7,940	60,318	(29,854,383)	(11,687,502)	18,166,881
Other financing sources (uses)						
Transfers from (to) other funds (net)	-	-	-	3,626,646	3,626,646	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (52,378)	7,940	\$ 60,318	\$ (26,227,737)	(8,060,856)	\$ 18,166,881
Fund balances - at beginning of year		71,691			26,392,924	
Fund balances - end of year		\$ 79,631			\$ 18,332,068	

The accompanying notes are an integral part of this statement.

County of Marin, California

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

PROPRIETARY FUND TYPES

Year ended June 30, 2000

(with Comparative Totals for June 30, 1999)

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2000	1999
Revenues				
Operating revenues	\$ 1,433,955	\$ -	\$ 1,433,955	\$ 1,278,269
Premiums	-	3,198,133	3,198,133	3,629,325
Total revenues	1,433,955	3,198,133	4,632,088	4,907,594
Expenses				
Claims expense	-	2,987,763	2,987,763	3,623,040
Operating expenses	1,516,655	-	1,516,655	1,384,026
Total expenses	1,516,655	2,987,763	4,504,418	5,007,066
Operating income (loss)	(82,700)	210,370	127,670	(99,472)
Non-operating revenues (expenses)				
Grants	-	-	-	129,828
Transfers (to) from other funds	(5,499)	-	(5,499)	-
Investment income	50,643	492,543	543,186	426,100
NET INCOME (LOSS)	(37,556)	702,913	665,357	456,456
Retained earnings - at beginning of year	492,932	337,888	830,820	374,364
Retained earnings - at end of year	\$ 455,376	\$ 1,040,801	\$ 1,496,177	\$ 830,820

The accompanying notes are an integral part of this statement.

County of Marin, California

COMBINED STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPES

Year ended June 30, 2000

(with Comparative Totals for June 30, 1999)

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2000	1999
Cash flows from operating activities:				
Operating income (loss)	\$ (82,700)	\$ 210,370	\$ 127,670	\$ (99,472)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:				
Changes in assets and liabilities:				
Other receivables	(1,131)	-	(1,131)	-
Prepaid expenses	(199,258)	-	(199,258)	(11,623)
Inventory	(795)	-	(795)	(46)
Accounts payable and accrued expenses	128,713	959,273	1,087,986	1,307,340
Deferred revenue	(64,072)	-	(64,072)	(29,001)
Total adjustments	(136,543)	959,273	822,730	1,266,670
Net cash (used in) provided by operating activities	(219,243)	1,169,643	950,400	1,167,198
Cash flows from noncapital financing activities:				
Grant	-	-	-	129,828
Transfers (to) from other funds	(5,499)	-	(5,499)	-
Due to other funds	175,115	532,633	707,748	(95,068)
Net cash provided by noncapital financing activities	169,616	532,633	702,249	34,760
Cash flows from investing activities:				
Investment income	50,703	396,684	447,387	427,290
NET INCREASE IN CASH	1,076	2,098,960	2,100,036	1,629,248
Cash at beginning of year	35,217	7,026,639	7,061,856	5,432,608
Cash at end of year	\$ 36,293	\$ 9,125,599	\$ 9,161,892	\$ 7,061,856

The accompanying notes are an integral part of this statement.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Marin, California operates under an elected supervisory form of government. As required by generally accepted accounting principles, these financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, if any, are reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The County has the following blended component units with June 30 year-ends and no discretely presented component units:

- Sewer Maintenance Districts
- County Service Area Districts
- Lighting Districts
- Flood Control Districts
- Permanent Road Districts

The County also includes as a blended component unit the County Fair Operations which has a December 31 year-end. Information regarding the availability of separate individual component unit financial statements may be obtained at the County of Marin's Auditor-Controller's office.

Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the County are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The government has the following fund types and account groups:

Governmental funds are used to account for the County's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The *general fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt-service fund* accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital project funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applied all applicable GASB pronouncements as well as any pronouncements issued by the Financial Accounting Standards Board, except for those that conflict with or contradict GASB pronouncements. Proprietary funds include the following fund types:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds account for operations that provide services to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis.

Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the County under the terms of a formal trust agreement.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the County holds for others in an agency capacity.

Account Groups. The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Assets, Liabilities and Equity

• Taxes, Interest and Other Receivables

The County is responsible for assessing, collecting and distributing property taxes in accordance with California property tax laws. Property taxes are levied each July 1 on the assessed value as of the prior March 1 for real and personal property located in the County. Taxes are due in two equal installments on November 1 and February 1 following the levy date. The installments are considered past due if not received by the 10th of the month following their respective due dates at which time the applicable property is subject to lien and penalties and interest are assessed.

The County implemented an Alternative Method of Tax Apportionment (Teeter plan) in fiscal year 1994. This allowed the County to obtain possession of all secured taxes. The taxes and interest are recorded in trust funds and allocated to the various funds to which they relate three times a year as if all taxes billed were received. The receivable which relates to the outstanding taxes at year-end remains in the trust fund and the County receives all penalties and interest on the delinquencies.

The unsecured and supplemental taxes and interest are recorded in several trust funds before distribution to the various funds to which they relate. Such items are included as amounts due from and to other funds. Amounts accrued but not received by the County as of June 30, 2000, are recorded as receivables directly by the funds to which the revenue relates. Taxes are recorded at billable value less allowance for uncollectibles of \$210,901. Revenues not considered available are deferred in the funds in which they will ultimately be received.

Accounts and other receivables are recorded in the individual funds from which services were provided or advances made.

• Due From Other Governments

These balances generally represent grant and entitlement revenues earned but not received from grantor governments.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

- Interfund Receivable and Payable

It is the County's practice to record the receipt of certain revenues in trust funds prior to distribution among the various funds and agencies to which they relate. These interfund balances consist of property taxes, interest and grant monies received by the year-end for which cash had not been distributed. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

- Fixed Assets

Fixed assets used in governmental fund types of the County are recorded in the general fixed assets account group at cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the County) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not included in the general fixed assets account group or capitalized in the proprietary funds.

- Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

- Compensated Absences

Vested or accumulated unpaid vacation, sick pay and other employee benefits are accrued when incurred in proprietary funds and reported as a fund liability. Vested or accumulated unpaid vacation, sick pay and other employee benefits that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

• Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the period in which the bonds are sold. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

• Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

In preparing general purpose financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the period. Significant estimates made by management include the allowance for doubtful accounts and estimated workers' compensation liability. Actual results could differ from those estimates.

Memorandum Only -- Total Columns

Total columns on the general purpose financial statements are captioned as "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

New Accounting Pronouncements

The Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, effective for financial statements for the year ending June 30, 2002, which changes certain financial reporting and accounting for the County. Management has not yet determined the impact of adopting this statement on the County's financial statements.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The County controls spending of governmental funds through the use of budgets. The appropriated budget is prepared by fund and function. All such budgets and amendments thereto are adopted on a modified accrual basis. All annual appropriations lapse at fiscal year end. All statements of "revenues, expenditures and changes in fund balances - budget and actual" have been prepared on a modified accrual basis in accordance with the County's budgetary policy. Budgeted amounts include the originally adopted amounts as adjusted for amendments, including continuing authorizations and appropriated encumbrances carried forward from year to year.

Encumbrance accounting, under which purchase orders, and contracts for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2000, expenditures exceeded appropriations in the Capital Projects funds, respectively. This overexpenditure was funded by available fund balance.

NOTE C - CASH AND INVESTMENTS

Cash and investments at June 30, 2000, consist of the following:

Cash and investments in County pool	
Pooled cash	\$ 22,295,667
Less outstanding warrants	<u>(37,706,677)</u>
Total pooled cash	(15,411,010)
Pooled investments	370,235,321
Other investments	<u>10,955,383</u>
	365,779,694
Cash with fiscal agents	<u>18,978,467</u>
Total cash and investments	<u>\$ 384,758,161</u>

The County follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE C - CASH AND INVESTMENTS (continued)

Interest income earned on pooled cash and investments is allocated quarterly based on each fund's average daily balance (on a cash basis) for the quarter. Interest income from cash and investments with fiscal agent is credited directly to the related fund.

Other investments represent investments of non-operating funds made for certain districts. These investments were made with the authorization of the respective district boards.

Pooled Cash and Non-negotiable Certificates of Deposit

All pooled cash is entirely insured or collateralized. At June 30, 2000, the carrying amount was \$(15,411,010). The bank balance was \$4,412,164 for June 30, 2000. The entire bank balance is collateralized by the custodial bank with pooled securities designating the County as beneficiary in case of default. The California Government Code requires California banks and savings and loan associations to secure public agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of public agency deposits. California law also allows financial institutions to secure public agency deposits by pledging first deed mortgage notes having a value of 150% of total deposits.

The County may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). However, it is the County's practice not to waive any collateral requirements.

Authorized Investments

Under provision of the County's investment policy, and in accordance with Section 53601 of the California Government Code, the County may invest in the following types of investments:

- U.S. Treasury Obligations
- U.S. Agency Obligations
- Federal Instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- California State Bonds
- Repurchase Agreements
- Bonds, notes, and warrants of a local agency
- Medium Term Notes
- Shares issued by diversified management companies
- Financial institution investment accounts

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE C - CASH AND INVESTMENTS (continued)

Credit Risk, Carrying Amount, and Market Value of Investments

Investments of the County are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by three categories as follows: Category 1 includes investments that are insured or registered or for which securities are held by the County or its safekeeping agent in the County's name; Category 2 includes uninsured and unregistered investments for which the securities are held by the safekeeping agent in the County's name; Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. Banker's acceptances are collateralized and the underlying collateral is held by the dealer bank's trust department in the County's name.

	Category			Fair Value
	1	2	3	
Commercial Paper	\$ 18,989,075	\$ -	-	\$ 18,989,075
Government Securities	309,469,464	-	-	309,469,464
Other	<u>23,840,869</u>	-	-	<u>23,840,869</u>
	<u>\$ 352,299,408</u>	<u>\$ -</u>	<u>\$ -</u>	352,299,408
Investments not subject to categorization				
State of California				
Local Agency				
Investment Fund				<u>28,891,296</u>
				<u>\$ 381,190,704</u>

Government and other securities are carried at fair value. The County follows the practice of holding investments to maturity. Such investments mature at face value.

At June 30, 2000, the County had no investments in repurchase agreements. At no time during the fiscal year did the County borrow funds through the use of reverse-repurchase agreements. Such transactions are not authorized by the County's investment policy.

Cash and Investments with Fiscal Agents

The County has monies held by trustees or fiscal agent pledged to the payment or security of certain bonds, certificates of participation, and obligations. The California Government Code provides these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolution or indentures specifying the types of investments its trustees or fiscal agent may make. These ordinances, resolutions, and indentures are generally more restrictive than the County's general investment policy. In no instance have additional types of investments, not permitted by the County's general investment policy, been authorized.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2000, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Trust and Agency	\$ 7,332,522
	Enterprise	175,115
	Special Revenue	38,817
	Internal Service	<u>587,204</u>
		8,133,658
Special Revenue	Trust and Agency	260
Capital Projects	Trust and Agency	492,490
Trust and Agency	Special Revenue	<u>40,914</u>
		<u>\$ 8,667,322</u>

NOTE E - PROPERTY AND EQUIPMENT

	Balance July 1, <u>1999</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2000</u>
General Fixed Assets				
Land	\$ 34,459,101	\$ -	\$ -	\$ 34,459,101
Buildings and improvements	101,091,247	718,590	-	101,809,837
Furniture and equipment	29,576,891	2,923,631	(730,920)	31,769,602
Construction in progress	<u>2,915,404</u>	<u>9,518,438</u>	<u>(718,590)</u>	<u>11,715,252</u>
	<u>\$ 168,042,643</u>	<u>\$ 13,160,659</u>	<u>\$ (1,449,510)</u>	<u>\$ 179,753,792</u>

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE F - LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT

The County is self-insured for the first \$300,000 of workers' compensation claims per occurrence. The County provides for excess workers' compensation insurance through an outside administrator up to \$5,000,000. Activity related to the collection of premiums and payment of claims is recorded in an internal service fund. There were no significant reductions in insurance coverage from the prior year nor did settlements exceed insurance coverage for the past three fiscal years. Claims liability is based upon the administrator's estimate of ultimate loss payout. Changes in the balance of claims liabilities during the year are as follows:

	<u>Workers'</u> <u>Compensation</u>
Claims liability - July 1, 1999	\$ 6,754,095
Incurred claims	3,320,455
Claim payments	<u>(2,361,182)</u>
Claims liability - June 30, 2000	<u>\$ 7,713,368</u>

NOTE G - TAX AND REVENUE ANTICIPATION NOTE

In July of 2000, the County issued a Tax and Revenue Anticipation Note (TRAN) in the amount of \$33,000,000 to cover cash flow shortfalls prior to the December collection of property taxes. The \$33,000,000 TRAN plus accrued interest is due on June 29, 2001.

NOTE H - GENERAL LONG-TERM DEBT

Capital Lease Obligations

The County has acquired various items of equipment, principally for data processing, reproduction and transportation, through several capital lease arrangements. Capital lease arrangements bear effective rates ranging from 2% to 7%. The cost of these assets, included in the County's General Fixed Assets Account Group at June 30, 2000, for capital lease arrangements is \$7,393,154.

The following is a summary of changes in capital lease obligations.

Balance as of July 1, 1999	\$ 5,270,429
Additions	2,590,086
Reductions	<u>(1,226,335)</u>
Balance as of June 30, 2000	<u>\$ 6,634,180</u>

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE H - GENERAL LONG-TERM DEBT (continued)

Bonds and Loan Payable

The following is a summary of bond transactions of the County for the year ended June 30, 2000:

	Balance July 1, 1999	<u>Retirements</u>	<u>Additions</u>	Balance June 30, 2000
General obligation bonds issued by various County Service Areas bear interest rates of 4.50% to 5.75%. Annual maturities vary from year to year until 2002.	\$ 150,000	\$ 45,000	\$ -	\$ 105,000

In August, 1991, the County of Marin, California issued \$28,220,000 in Certificates of Participation: \$12,800,000 in serial certificates maturing in different principal amounts each August 1 from 1992 through 2003 and bearing rates of interest from 4.75% - 6.8%; \$4,900,000 in term certificates maturing August 1, 2006, bearing interest at 6.75%; and \$10,520,000 in term certificates due August 1, 2011, bearing interest at 6.85%. The proceeds of the sale of the 1991 Certificates were used by the County to finance the acquisition, construction, modification, improvement, repair and installation of the County of Marin Jail and Office Buildings.

In August of 1998, the County issued \$46,835,000 of Certificates of Participation Series A and Series B. The proceeds of the Series A Certificates will be used to finance various capital projects and the proceeds of the Series B Certificates were used to advance refund all the outstanding 1991 Certificates. Interest on the 1998 Certificates is payable semiannually on February 1, and August 1, beginning February 1, 1999 at rates from 4-5%. Principal on the 1998 Certificates mature each August 1 in varying amounts.

The net proceeds of the Series B Certificates of \$22,119,215 plus 1991 debt service reserve funds of \$3,162,977 were used to purchase federal securities held by the trustee in a reserve fund in an amount sufficient to provide debt service payments until the 1991 Certificates mature August 1, 2001. The advance refunding meets the requirements of an in-substance debt defeasance and the 1991 Certificates were removed from the General Long-Term Debt Account Group.

As a result of the advance refunding, the County reduced its debt service requirements by \$2,283,804, which resulted in a economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,656,711.

As required by the terms of the 1998 Certificates of Participation, the County has purchased a surety bond to fulfill the reserve requirement pledged by the lease payments.

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE H - GENERAL LONG-TERM DEBT (continued)

Summary of Debt Service Requirements

<u>Year ending June 30,</u>	<u>General Long-Term Debt</u>		
	<u>Lease Obligations</u>	<u>Bonds</u>	<u>Certificates of Participation</u>
2001	\$ 1,544,770	\$ 54,200	\$ 4,006,482
2002	1,414,613	56,444	4,002,682
2003	890,180	-	3,995,682
2004	672,366	-	3,990,382
2005	672,366	-	3,991,482
Thereafter	<u>1,647,951</u>	<u>-</u>	<u>46,363,857</u>
Total future debt service requirements	6,869,246	110,644	66,350,567
Less amount representing interest	<u>235,066</u>	<u>5,644</u>	<u>21,230,567</u>
Principal outstanding at June 30, 2000	<u>\$ 6,634,180</u>	<u>\$ 105,000</u>	<u>\$ 45,120,000</u>

NOTE I - FUND BALANCES DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES

Fund balances designated for subsequent years' expenditures are composed of the following as of June 30, 2000:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Continuing authorizations			
Future commitments	\$ -	\$ 126,820	\$ 16,386,449
Total continuing authorizations	-	126,820	16,386,449
Capital lease obligations, Encumbrances	1,458,453 <u>461,677</u>	5,175,727 <u>47,188</u>	- <u>1,019,026</u>
Total designated for subsequent years' expenditures	<u>\$ 1,920,130</u>	<u>\$ 5,349,735</u>	<u>\$ 17,405,475</u>

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE J - RETIREMENT PLAN

Plan Description

The County's retirement plan is administered by the Board of Retirement of the Marin County Employees' Retirement Association (MCERA) and is an agent multiple-employer public employers retirement system (PERS). It covers employees eligible for membership and provides death, disability and service retirement benefits based upon specified percentages of final compensation as well as annual cost-of-living adjustments after retirement. The annual covered payroll for the County of Marin, California for the year ended June 30, 2000, was \$99,744,465. Contributions are made by both the County and the employees. In addition to the County's retirement plan, the Employees' Retirement Association includes the plans of the City of San Rafael and several special districts. Separate actuarial valuations are performed for these other districts, and the responsibility for funding their plans rests with those entities.

Funding Policy

Members are required to contribute to the County's plan, based on age at the time of entry into the plan. Under the provisions of the County's pension plan, pension benefits vest after five years of credited service. The County's contributions are actuarially determined. The following assumptions were used in the most recent actuarial valuation as of June 30, 1999.

- Net investment yield is assumed to be 8.25% per year.
- Annual inflation rate of 4.25%.
- Rates of salary increase are assumed to be 4.75% to 9.25%.

The actuarial assumptions used in determining contribution requirements are the same as those used to compute the pension benefit obligation.

Annual Pension Cost

For fiscal year ended June 30, 2000, the County's annual pension cost was \$15,768,000 and the County contributed \$15,768,000.

Funding of the Plan is determined under the "entry age normal" method, which provides for funding of annual normal cost and the unfunded prior service costs over a period of 30 years. This includes amortization of the unfunded present value of credited projected benefits. All administrative costs of the system are borne by MCERA.

Three-Year Trend Information

Fiscal Year Ending June 30.	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2000	\$ 15,768,000	100.0%	\$ -
1999	13,714,000	100.0%	-
1998	17,021,000	100.0%	-

County of Marin, California

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

June 30, 2000

NOTE J - RETIREMENT PLAN (continued)

Funded Status of Plan

Valuation Date (Most Recent Data Available) June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
1999	\$ 557,216,000	\$ 585,890,000	\$ 28,674,000	95%	\$ 107,689,000	27%
1998	\$ 482,546,000	\$ 529,165,000	\$ 46,619,000	91%	\$ 96,873,000	48%
1997	\$ 420,794,000	\$ 505,027,000	\$ 84,233,000	83%	\$ 88,466,000	95%

The Plan issues a stand alone financial report, a copy of which can be obtained from the Marin County Employees' Retirement Association.

NOTE K - DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits eligible employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death or unforeseeable emergency. As of June 30, 2000, the County's deferred compensation plan investments include numerous participant-directed, uninsured investments in the amount of \$79,956,587.

NOTE L - COMPENSATED ABSENCES

Employees of the County earn vacation and sick pay in amounts which vary according to years of service and employee bargaining unit. Vacation rights vest with the employee and are accounted for in the general long-term debt account group. Sick leave does not vest with the employee and, accordingly, is not recorded as a liability in these financial statements, but is charged to operating expenditures when paid.

A summary of changes in compensated absences follows:

Balance - July 1, 1999	\$ 7,143,885
Additions, net of deletions	<u>545,645</u>
Balance - June 30, 2000	<u>\$ 7,689,530</u>

NOTE M - COMMITMENTS AND CONTINGENT LIABILITIES

Certain claims and legal actions have been made against the County. The County will contest and vigorously defend any significant legal actions. It is the County's opinion that insurance coverage and designated fund balances are sufficient to cover any potential losses.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON PROCEDURES PERFORMED PURSUANT TO ARTICLE XIII B
OF THE CALIFORNIA CONSTITUTION**

Board of Supervisors
County of Marin, California

We have audited the accompanying general purpose financial statements of the County of Marin, California, for the year ended June 30, 2000, and have issued our report thereon dated December 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the County of Marin, California, is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we applied the procedures enumerated below to the Appropriations Limit computations of the County of Marin, California, for the year ended June 30, 2000. These procedures, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.

The procedures performed were as follows:

1. We obtained the County's calculation for the Article XIII B Appropriations Limitation and determined that the limit was adopted by resolution of the Board of Supervisors.
2. We determined that the population and inflation options were selected by a recorded vote of the Board of Supervisors.
3. We recomputed the percentage change in population used to compute the population percent adjustment factor. We agreed the per capita increase adjustment factor to the notice from the State Department of Finance. We multiplied the two factors to obtain the total adjustment factor.
4. Using the County's calculation (procedure #1, above), we multiplied last year's limit by the total adjustment factor computed in procedure #3, above. We agreed the result to the current limit calculated in procedure #1, above.

These agreed-upon procedures are substantially less in scope than would be necessary to render an opinion on the County's Appropriations Limit computation. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that the Appropriations limit was not computed in accordance with Article XIII B of the California Constitution. Had we performed additional procedures or had we performed an audit of the County's Appropriations Limit computation, matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and various County, state and federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

San Francisco, California
December 8, 2000