

**COUNTY OF MARIN**

**AUDIT REPORT**

**JUNE 30, 2001**

**COUNTY OF MARIN  
AUDIT REPORT**

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# Bartig, Basler & Ray

A Professional Corporation

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Certified Public Accountants and Management Consultants

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Frank V. Trythall  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
County of Marin

We have audited the accompanying general purpose financial statements of the County of Marin as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of County of Marin's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The general purpose financial statements of the County of Marin as of June 30, 2000 were audited by other auditors whose report, dated December 8, 2000, expressed an unqualified opinion on those statements.

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 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 evaluating the overall general purpose 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, 2001, and the results of its operations and the 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 October 18, 2001 on our consideration of the County of Marin's internal control over financial reporting and 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.

BARTIG, BASLER & RAY, CPAs, INC.

October 18, 2001  
Roseville, California

**COUNTY OF MARIN**

Combined Balance Sheet - Assets and Other Debits  
 All Fund Types and Account Groups  
 June 30, 2001  
 (With Comparative Figures for June 30, 2000)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>ASSETS AND OTHER DEBITS</u>				
<u>ASSETS</u>				
Cash and investments in County pool	\$ 40,293,934	\$ 21,997,749	\$ 83,211	\$ 5,700,679
Cash with fiscal agent	20,297	--	--	8,727,603
Receivables:				
Taxes	505,204	82,373	--	--
Interest	3,431,977	483,113	--	--
Other	897,636	--	--	--
Loans receivable	253,156	--	--	--
Due from other funds	10,152,903	51,752	--	492,490
Due from other governmental agencies	9,898,284	--	--	246,000
Advances to other funds	193,385	--	--	--
Inventory of supplies	280,355	247,974	--	--
Prepaid expenses	--	--	--	--
Property and equipment	--	--	--	--
<u>OTHER DEBITS</u>				
Amount available for retirement of long-term debt	--	--	--	--
Amount to be provided for retirement of long-term debt	--	--	--	--
Total Assets and Other Debits	<u>\$ 65,927,131</u>	<u>\$ 22,862,961</u>	<u>\$ 83,211</u>	<u>\$ 15,166,772</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
					2001	2000
\$ --	\$ 10,579,970	\$ 362,238,797	\$ --	\$ --	\$ 440,894,340	\$ 365,779,694
--	161,363	793,747	--	--	9,703,010	18,978,467
--	--	10,216,987	--	--	10,804,564	9,149,853
12,437	233,487	7,831,219	--	--	11,992,233	10,020,160
--	--	123,946	--	--	1,021,582	1,351,499
--	--	--	--	--	253,156	261,739
--	--	1,320,640	--	--	12,017,785	8,667,322
--	--	4,123	--	--	10,148,407	7,304,885
--	--	--	--	--	193,385	225,540
--	--	--	--	--	528,329	609,105
998,717	--	--	--	--	998,717	1,051,287
--	--	--	192,777,261	--	192,777,261	179,753,792
--	--	--	--	83,211	83,211	79,631
--	--	--	--	56,975,289	56,975,289	59,469,079
<u>\$ 1,011,154</u>	<u>\$ 10,974,820</u>	<u>\$ 382,529,459</u>	<u>\$ 192,777,261</u>	<u>\$ 57,058,500</u>	<u>\$ 748,391,269</u>	<u>\$ 662,702,053</u>

**COUNTY OF MARIN**

Combined Balance Sheet - Liabilities, Equity and Other Credits  
 All Fund Types and Account Groups  
 June 30, 2001  
 (With Comparative Figures for June 30, 2000)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 8,592,008	\$ 727,021	\$ --	\$ 522,963
Liability for compensated absences	--	--	--	--
Due to other funds	--	79,731	--	--
Advances payable	--	193,385	--	--
Deferred revenue	871,183	127,135	--	--
Capital lease obligations	--	--	--	--
Bonds and loans payable	--	--	--	--
Certificates of participation	--	--	--	--
Fiduciary liabilities	--	--	--	--
Total Liabilities	9,463,191	1,127,272	--	522,963
Fund Equity and Other Credits:				
Investment in general fixed assets	--	--	--	--
Retained Earnings	--	--	--	--
Fund Balance:				
Reserved:				
Encumbrances	18,474,181	1,767,313	--	2,434,438
Advances to other funds	193,385	--	--	--
Inventories	280,355	247,974	--	--
Unreserved:				
Designated:				
Self-insurance	10,266,027	--	--	--
Contingencies	25,000	--	--	--
State funding uncertainties	228,307	--	--	--
Debt service	--	--	83,211	--
Subsequent years' expenditures	--	--	--	--
Undesignated	26,996,685	19,720,402	--	12,209,371
Total Fund Equity and Other Credits	56,463,940	21,735,689	83,211	14,643,809
Total Liabilities, Fund Equity and Other Credits	\$ 65,927,131	\$ 22,862,961	\$ 83,211	\$ 15,166,772

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
					2001	2000
\$ 162,372	\$ 8,701,583	\$ --	\$ --	\$ --	\$ 18,705,947	\$ 15,526,746
--	--	--	--	8,213,190	8,213,190	7,689,530
5,398	226,509	11,706,147	--	--	12,017,785	8,667,322
--	--	--	--	--	193,385	225,540
349,024	--	--	--	--	1,347,342	1,098,863
--	--	--	--	5,725,310	5,725,310	6,634,180
--	--	--	--	55,000	55,000	36,105,000
--	--	--	--	43,065,000	43,065,000	45,120,000
--	--	370,823,312	--	--	370,823,312	276,636,254
<u>516,794</u>	<u>8,928,092</u>	<u>382,529,459</u>	<u>--</u>	<u>57,058,500</u>	<u>460,146,271</u>	<u>397,703,435</u>
--	--	--	192,777,261	--	192,777,261	179,753,792
494,360	2,046,728	--	--	--	2,541,088	1,496,177
--	--	--	--	--	22,675,932	13,407,194
--	--	--	--	--	193,385	225,540
--	--	--	--	--	528,329	--
--	--	--	--	--	10,266,027	8,459,412
--	--	--	--	--	25,000	25,000
--	--	--	--	--	228,307	2,600,000
--	--	--	--	--	83,211	79,631
--	--	--	--	--	--	24,675,340
--	--	--	--	--	58,926,458	34,276,532
<u>494,360</u>	<u>2,046,728</u>	<u>--</u>	<u>192,777,261</u>	<u>--</u>	<u>288,244,998</u>	<u>264,998,618</u>
<u>\$ 1,011,154</u>	<u>\$ 10,974,820</u>	<u>\$ 382,529,459</u>	<u>\$ 192,777,261</u>	<u>\$ 57,058,500</u>	<u>\$ 748,391,269</u>	<u>\$ 662,702,053</u>

**COUNTY OF MARIN**

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001  
(With Comparative Figures For the Year Ended June 30, 2000)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$ 72,201,642	\$ 14,490,141	\$ 57,583
Licenses and permits	6,641,122	59,070	1
Intergovernmental revenues	131,573,679	7,345,689	918
Charges for services	12,341,347	274,057	--
Fines and forfeits	4,550,222	9,392	1
From use of money and property	10,225,573	1,527,223	--
Miscellaneous	25,909,041	1,768,710	--
Total Revenues	<u>263,442,626</u>	<u>25,474,282</u>	<u>58,503</u>
Expenditures:			
General government	55,316,562	--	--
Public safety	81,966,593	7,634,308	--
Transportation	1,574	10,937,420	--
Health	58,079,698	--	--
Welfare	38,219,299	--	--
Culture and recreation	5,667,739	7,957,310	--
Capital outlay	--	--	--
Debt Service:			
Principal	--	--	50,000
Interest	--	--	4,923
Total Expenditures	<u>239,251,465</u>	<u>26,529,038</u>	<u>54,923</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,191,161</u>	<u>(1,054,756)</u>	<u>3,580</u>
Other Financing Sources (Uses):			
Operating transfers in	454,359	2,620,403	--
Operating transfers out	<u>(12,722,995)</u>	<u>(422,334)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(12,268,636)</u>	<u>2,198,069</u>	<u>--</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	11,922,525	1,143,313	3,580
Fund Balance, Beginning of Fiscal Year	44,638,661	20,698,289	79,631
Prior period adjustment	<u>(97,246)</u>	<u>(105,913)</u>	<u>--</u>
Fund Balance, End of Fiscal Year	<u>\$ 56,463,940</u>	<u>\$ 21,735,689</u>	<u>\$ 83,211</u>

The accompanying notes are an integral part of these financial statements



Totals (Memorandum Only)

Capital Projects	2001	2000
\$ --	\$ 86,749,366	\$ 79,505,609
--	6,700,193	6,264,444
1,216,000	140,136,286	128,539,987
--	12,615,404	11,815,288
1,012,849	5,572,464	6,067,974
834,010	12,586,806	10,951,173
29,531	27,707,282	27,233,053
<u>3,092,390</u>	<u>292,067,801</u>	<u>270,377,528</u>
--	55,316,562	46,421,966
--	89,600,901	83,444,585
--	10,938,994	11,060,843
--	58,079,698	51,683,361
--	38,219,299	38,238,227
--	13,625,049	12,262,735
12,881,935	12,881,935	10,521,342
2,055,001	2,105,001	1,760,000
1,946,305	1,951,228	2,034,204
<u>16,883,241</u>	<u>282,718,667</u>	<u>257,427,263</u>
<u>(13,790,851)</u>	<u>9,349,134</u>	<u>12,950,265</u>
10,482,592	13,557,354	3,001,632
<u>(380,000)</u>	<u>(13,525,329)</u>	<u>(3,001,632)</u>
<u>10,102,592</u>	<u>32,025</u>	<u>--</u>
(3,688,259)	9,381,159	12,950,265
18,332,068	83,748,649	70,798,384
--	(203,159)	--
<u>\$ 14,643,809</u>	<u>\$ 92,926,649</u>	<u>\$ 83,748,649</u>

**COUNTY OF MARIN**

Combined Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual - All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 71,129,961	\$ 72,201,642	\$ 1,071,681
Licenses and permits	6,313,866	6,641,122	327,256
Intergovernmental revenues	142,686,454	131,573,679	(11,112,775)
Charges for services	11,910,034	12,341,347	431,313
Fines and forfeits	4,448,169	4,550,222	102,053
From use of money and property	8,985,253	10,225,573	1,240,320
Miscellaneous	28,216,217	25,909,041	(2,307,176)
Total Revenues	<u>273,689,954</u>	<u>263,442,626</u>	<u>(10,247,328)</u>
Expenditures:			
General government	69,852,078	55,316,562	14,535,516
Public protection	87,306,837	81,966,593	5,340,244
Public ways and facilities	386,677	1,574	385,103
Health and sanitation	62,552,555	58,079,698	4,472,857
Public assistance	47,664,555	38,219,299	9,445,256
Culture and recreation	6,251,489	5,667,739	583,750
Contingencies reserves	--	--	--
Capital outlay	--	--	--
Debt Service:			
Principal	--	--	--
Interest	--	--	--
Total Expenditures	<u>274,014,191</u>	<u>239,251,465</u>	<u>34,762,726</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(324,237)</u>	<u>24,191,161</u>	<u>24,515,398</u>
Other Financing Sources (Uses):			
Operating transfers in	454,359	454,359	--
Operating transfers out	(12,722,995)	(12,722,995)	--
Total Other Financing Sources (Uses)	<u>(12,268,636)</u>	<u>(12,268,636)</u>	<u>--</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(12,592,873)	11,922,525	24,515,398
Fund Balance, Beginning of Fiscal Year	44,638,661	44,638,661	--
Prior Period Adjustments	--	(97,246)	(97,246)
Fund Balance, End of Fiscal Year	<u>\$ 32,045,788</u>	<u>\$ 56,463,940</u>	<u>\$ 24,418,152</u>

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

Special Revenue Funds			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 13,714,376	\$ 14,490,141	\$ 775,765	\$ 54,202	\$ 59,207	\$ 5,005
94,547	59,070	(35,477)	--	--	--
15,407,449	7,345,689	(8,061,760)	--	1,053	1,053
242,500	274,057	31,557	--	--	--
12,000	9,392	(2,608)	--	--	--
1,135,827	1,527,223	391,396	836	--	(836)
1,916,416	1,768,710	(147,706)	--	--	--
<u>32,523,115</u>	<u>25,474,282</u>	<u>(7,048,833)</u>	<u>55,038</u>	<u>60,260</u>	<u>5,222</u>
--	--	--	--	--	--
2,215,045	7,634,308	(5,419,263)	--	--	--
18,139,097	10,937,420	7,201,677	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
9,782,292	7,957,310	1,824,982	--	--	--
25,000	--	25,000	--	--	--
--	--	--	--	--	--
--	--	--	--	45,000	(45,000)
--	--	--	--	7,320	(7,320)
<u>30,161,434</u>	<u>26,529,038</u>	<u>3,632,396</u>	<u>--</u>	<u>52,320</u>	<u>(52,320)</u>
<u>2,361,681</u>	<u>(1,054,756)</u>	<u>(3,416,437)</u>	<u>55,038</u>	<u>7,940</u>	<u>(47,098)</u>
2,620,403	2,620,403	--	--	--	--
(422,334)	(422,334)	--	--	--	--
<u>2,198,069</u>	<u>2,198,069</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4,559,750	1,143,313	(3,416,437)	55,038	7,940	(47,098)
20,698,289	20,698,289	--	--	71,691	71,691
--	(105,913)	(105,913)	--	--	--
<u>\$ 25,258,039</u>	<u>\$ 21,735,689</u>	<u>\$ (3,522,350)</u>	<u>\$ 55,038</u>	<u>\$ 79,631</u>	<u>\$ 24,593</u>

continued

**COUNTY OF MARIN**

Combined Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual - All Governmental Fund Types (continued)  
For the Fiscal Year Ended June 30, 2001

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ --	\$ --	\$ --
Licenses and permits	--	--	--
Intergovernmental revenues	410,000	1,216,000	806,000
Charges for services	--	--	--
Fines and forfeits	1,120,000	1,012,849	(107,151)
From use of money and property	783,343	834,010	50,667
Miscellaneous	82,526	29,531	(52,995)
Total Revenues	<u>2,395,869</u>	<u>3,092,390</u>	<u>696,521</u>
Expenditures:			
General government	--	--	--
Public protection	--	--	--
Public ways and facilities	--	--	--
Health and sanitation	--	--	--
Public assistance	--	--	--
Culture and recreation	--	--	--
Contingencies reserves	--	--	--
Capital outlay	32,047,126	12,881,935	19,165,191
Debt Service:			
Principal	--	2,055,001	(2,055,001)
Interest	--	1,946,305	(1,946,305)
Total Expenditures	<u>32,047,126</u>	<u>16,883,241</u>	<u>15,163,885</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,651,257)</u>	<u>(13,790,851)</u>	<u>15,860,406</u>
Other Financing Sources (Uses):			
Operating transfers in	10,482,592	10,482,592	--
Operating transfers out	(380,000)	(380,000)	--
Total Other Financing Sources (Uses)	<u>10,102,592</u>	<u>10,102,592</u>	<u>--</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(19,548,665)	(3,688,259)	15,860,406
Fund Balance, Beginning of Fiscal Year	18,332,068	18,332,068	--
Prior Period Adjustments	--	--	--
Fund Balance, End of Fiscal Year	<u>\$ (1,216,597)</u>	<u>\$ 14,643,809</u>	<u>\$ 15,860,406</u>

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

**COUNTY OF MARIN**

Combined Statement of Revenues, Expenses and  
Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2001  
(With Comparative Figures For the Year Ended June 30, 2000)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			2001	2000
Operating Revenues:				
Operating revenues	\$ 1,449,767	\$ --	\$ 1,449,767	\$ 1,433,955
Premiums	--	4,914,839	4,914,839	3,198,133
	<u>1,449,767</u>	<u>4,914,839</u>	<u>6,364,606</u>	<u>4,632,088</u>
Operating Expenses:				
Claims expense	--	3,952,458	3,952,458	2,987,763
Operating expenses	1,496,849	--	1,496,849	1,516,655
	<u>1,496,849</u>	<u>3,952,458</u>	<u>5,449,307</u>	<u>4,504,418</u>
Operating Income (Loss)	<u>(47,082)</u>	<u>962,381</u>	<u>915,299</u>	<u>127,670</u>
Non-Operating Revenues (Expenses):				
Miscellaneous revenue	111,918	750	112,668	--
Investment income	52,053	93,368	145,421	543,186
	<u>163,971</u>	<u>94,118</u>	<u>258,089</u>	<u>543,186</u>
Net Income (Loss) Before Operating Transfers	116,889	1,056,499	1,173,388	670,856
Operating transfers in	--	--	--	--
Operating transfers out	(32,025)	--	(32,025)	(5,499)
	<u>84,864</u>	<u>1,056,499</u>	<u>1,141,363</u>	<u>665,357</u>
Net Income (Loss)	84,864	1,056,499	1,141,363	665,357
Retained Earnings, at Beginning of Fiscal Year	455,376	1,040,801	1,496,177	830,820
Prior period adjustment	(45,880)	(50,572)	(96,452)	--
Retained Earnings, at End of Fiscal Year	<u>\$ 494,360</u>	<u>\$ 2,046,728</u>	<u>\$ 2,541,088</u>	<u>\$ 1,496,177</u>

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

**COUNTY OF MARIN**

Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2001  
 (With comparative figures For the Year Ended June 30, 2000)

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>	
			2001	2000
Cash Flows from Operating Activities:				
Operating income (loss)	\$ (47,082)	\$ 962,381	\$ 915,299	\$ 127,670
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Prior period adjustment	(45,880)	(50,572)	(96,452)	--
Changes in Operating Assets and Liabilities:				
Other receivables	1,142	--	1,142	(1,131)
Prepaid expenses	52,570	--		(199,258)
Inventory	13,716	--	13,716	(795)
Accounts payable	(55,867)	988,215	932,348	1,087,986
Deferred revenue	85,367	--		(64,072)
Net Cash Provided (Used) by Operating Activities	<u>3,966</u>	<u>1,900,024</u>	<u>1,766,053</u>	<u>950,400</u>
Cash Flows from Noncapital Financing Activities:				
Due to (from) other funds	(169,717)	(360,695)	(530,412)	707,748
Other revenue	111,918	750	112,668	--
Operating transfers in	--	--	--	--
Operating transfers out	(32,025)	--	(32,025)	(5,499)
Net Cash Flows Provided (Used) by Non-Capital Financing Activities	<u>(89,824)</u>	<u>(359,945)</u>	<u>(449,769)</u>	<u>702,249</u>
Cash Flows from Investing Activities:				
Interest received	49,565	75,655	125,220	447,387
Net Cash Flows Provided (Used) by Investing Activities	<u>49,565</u>	<u>75,655</u>	<u>125,220</u>	<u>447,387</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(36,293)	1,615,734	1,441,504	2,100,036
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>36,293</u>	<u>9,125,599</u>	<u>9,161,892</u>	<u>7,061,856</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ --</u>	<u>\$ 10,741,333</u>	<u>\$ 10,603,396</u>	<u>\$ 9,161,892</u>

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

# COUNTY OF MARIN

Notes to Financial Statements  
June 30, 2001

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

**A. Reporting Entity**

The County of Marin, California operates under an elected supervisorial 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.

**B. 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

## COUNTY OF MARIN

Notes to Financial Statements  
June 30, 2001

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

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

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.

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.



## COUNTY OF MARIN

Notes to Financial Statements  
June 30, 2001

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

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

*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 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 County 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.

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.

**C. 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 10<sup>th</sup> of the month following their respective due dates at which time the applicable property is subject to lien and penalties and interest are assessed.

## COUNTY OF MARIN

Notes to Financial Statements  
June 30, 2001

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

C. **Assets, Liabilities and Equity** (continued)

Taxes, Interest and Other Receivables (continued)

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, 2001, are recorded as receivables directly by the funds to which the revenue relates. Taxes are recorded at billable value less allowance for uncollectibles of \$230,937. 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.

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.

# COUNTY OF MARIN

Notes to Financial Statements  
June 30, 2001

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

C. **Assets, Liabilities and Equity** (continued)

Fixed Assets (continued)

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, which consists of materials and supplies held for consumption, 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. Reported inventories are offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

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.

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 cost, 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.

## COUNTY OF MARIN

Notes to Financial Statements  
June 30, 2001

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

**D. Statement of Cash Flows**

For purposes of the statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**E. 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.

**F. 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.

**G. 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.

Note 2: **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 OF MARIN**

Notes to Financial Statements  
June 30, 2001

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

Budgetary Information (continued)

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, 2001, expenditures exceeded appropriations in the Capital Projects funds, respectively. This overexpenditure was funded by available fund balance.

Note 3: **Cash and Investments**

Cash and investments at June 30, 2001, consist of the following:

Cash and Investments in County Pool	
Pooled cash	\$ 26,810,023
Pooled investments	446,712,064
Other investments	<u>6,851,106</u>
	<u>480,373,193</u>
Less outstanding warrants	<u>(39,478,853)</u>
Total Cash and Investments in County Pool	440,894,340
Cash with fiscal agent	<u>9,703,010</u>
Total Cash and Investments	<u>\$ 450,597,350</u>
Pooled cash and investments presented on financial statements	\$ 440,894,340
Treasurer outstanding items	<u>39,478,583</u>
Total Cash and Investments in County Treasury at June 30, 2001	<u>\$ 480,373,193</u>

## COUNTY OF MARIN

### Notes to Financial Statements June 30, 2001

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

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.

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, 2001, the carrying amount of the County's bank balance was \$26,810,023 and per the bank was \$2,020,562. The difference between the carrying amount and the bank balance is due to deposits in transit, outstanding warrants and other reconciling items. 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

**COUNTY OF MARIN**

Notes to Financial Statements  
June 30, 2001

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

Authorized Investments (continued)

- Repurchase Agreements
- Bonds, notes, and warrants of a local agency
- Medium Term Notes
- Shares issued by diversified management companies
- Financial institution investment accounts

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.

	<u>Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>	<u>Par Value</u>	<u>Interest Rates</u>	<u>Maturities</u>
	<u>1</u>	<u>2</u>	<u>3</u>					
Commercial Paper	\$ 54,967,112	\$ --	\$ --	\$ 54,967,112	\$ 54,948,979	\$ 55,000,000	3.75%-4.07%	7/01
Government Securities	347,650,978	--	--	347,650,978	348,631,076	350,925,000	3.57%-6.97%	7/01-6/03
Other	--	--	--	--	--	--		
	<u>\$ 402,618,090</u>	<u>\$ --</u>	<u>\$ --</u>	<u>402,618,090</u>	<u>403,580,055</u>	<u>405,925,000</u>		

Investments not subject to categorization:

State of California:

Local Agency Investment Fund	21,026,772	21,073,819	21,026,772	5.32%	N/A
Money Market Funds	22,082,530	22,157,917	22,082,530	4.00%-4.13%	N/A
Sweep Account	7,835,778	7,835,778	7,835,778	3.45%-4.93%	N/A
Cash in Bank	26,807,572	26,807,636	26,807,572	N/A	N/A
Cash on Hand	<u>2,451</u>	<u>2,451</u>	<u>2,451</u>	N/A	N/A
<b>Total Cash and Investments</b>	<u>\$ 480,373,193</u>	<u>\$ 481,457,656</u>	<u>\$ 483,680,103</u>		

**COUNTY OF MARIN**

Notes to Financial Statements  
June 30, 2001

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

Credit Risk, Carrying Amount, and Market Value of Investments (continued)

The County adjusts its investment accounting records to “fair value” at fiscal year-end. The County’s investment custodian provides market values on each investment instrument on a monthly basis. The investments held by the County are widely traded in the financial markets and trading values are readily available from numerous published sources. Unrealized gains and losses are recorded at fiscal year-end and the carrying values of its investments at fiscal year-end are considered “fair value”. The County has determined that cost to fair values are not materially different (fair value is 100.23% of cost) so that no adjustments has been reported on the financial statements.

At June 30, 2001, 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.

Note 4: **Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2001, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Trust and Agency	\$ 9,882,179
	Internal Service	226,509
	Special Revenue	38,817
	Enterprise	<u>5,398</u>
		10,152,903
Special Revenue	Trust and Agency	51,752



**COUNTY OF MARIN**

Notes to Financial Statements  
June 30, 2001

Note 4: **Interfund Receivables and Payables** (continued)

Due to/from other funds (continued):

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Capital Projects	Trust and Agency	492,490
Trust and Agency	Trust and Agency	1,279,726
	Special Revenue	<u>40,914</u>
		<u>\$ 12,017,785</u>

Note 5: **Property and Equipment**

A summary of changes in general fixed assets consisted of the following at June 30, 2001:

	<u>Balance</u> <u>June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Reclassifications</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2001</u>
General Fixed Assets					
Land	\$ 34,459,101	\$ 2,880	\$ --	\$ (1,579,705)	\$ 32,882,276
Buildings and improvements	101,809,837	7,893,143	--	(502,796)	109,200,184
Furniture and equipment	31,769,602	91,696	--	1,365,121	33,226,419
Construction in progress	<u>11,715,252</u>	<u>12,561,227</u>	<u>(7,410,149)</u>	<u>602,052</u>	<u>17,468,382</u>
	<u>\$ 179,753,792</u>	<u>\$ 20,548,946</u>	<u>\$ (7,410,149)</u>	<u>\$ (115,328)</u>	<u>\$ 192,777,261</u>

Note 6: **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 payment. Changes in the balance of claims liabilities during the year are as follows:

	<u>Workers'</u> <u>Compensation</u>
Claims liability – July 1, 2000	\$ 7,713,368
Incurred claims	4,566,467
Claims payments	<u>(3,660,454)</u>
Claims liability – June 30, 2001	<u>\$ 8,619,381</u>

**COUNTY OF MARIN**

Notes to Financial Statements  
June 30, 2001

Note 7: **Tax and Revenue Anticipation Note**

In July of 2001, the County issued a Tax and Revenue Anticipation Note (TRAN) in the amount of \$18,500,000 to cover cash flow shortfalls prior to the December collection of property taxes. The \$18,500,000 TRAN plus accrued interest is due on June 28, 2002.

Note 8: **General Long-Term Debt**

The following table summarizes the changes in the County's long-term debt at June 30, 2001:

	<u>Balance</u> <u>June 30, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated absences	\$ 7,689,530	\$ 523,660	\$ --	\$ 8,213,190
Capital lease obligations	6,634,180	1,356,360	2,265,230	5,725,310
Bonds payable	105,000	--	50,000	55,000
Certificates of Participation				
98 COP Series A	24,140,000	--	610,000	23,530,000
91 COP Series B	<u>20,980,000</u>	<u>--</u>	<u>1,445,000</u>	<u>19,535,000</u>
	<u>\$ 59,548,710</u>	<u>\$ 1,880,020</u>	<u>\$ 4,370,230</u>	<u>\$ 57,058,500</u>

**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, 2001, for capital lease arrangements is \$8,536,642.

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

Balances as of July 1, 2000	\$ 6,634,180
Adjustments	(990,352)
Additions	1,356,360
Reductions	<u>(1,274,878)</u>
Balance as of June 30, 2001	<u>\$ 5,725,310</u>

**COUNTY OF MARIN**

Notes to Financial Statements  
June 30, 2001

Note 8: **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, 2001:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
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	\$ <u>105,000</u>	\$ <u>          --</u>	\$ <u>50,000</u>	\$ <u>55,000</u>

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 an 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**

Notes to Financial Statements  
June 30, 2001

Note 8: **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>
2002	\$ 1,595,992	\$ 56,444	\$ 4,002,683
2003	1,516,517	--	3,995,683
2004	841,158	--	3,990,383
2005	841,160	--	3,991,483
2006	569,886	--	3,987,538
Thereafter	<u>1,326,365</u>	<u>--</u>	<u>42,376,319</u>
Total Future Debt Service Requirements	6,691,078	56,444	62,344,089
Less Amount Representing Interest	<u>965,768</u>	<u>1,444</u>	<u>19,279,089</u>
Principal Outstanding at June 30, 2001	<u>\$ 5,725,310</u>	<u>\$ 55,000</u>	<u>\$ 43,065,000</u>

Note 10: **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, 2001 was \$107,616,252. 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 rest with those entities.

**COUNTY OF MARIN**

Notes to Financial Statements  
June 30, 2001

Note 10: **Retirement Plan** (continued)

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, 2000.

- 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, 2001, the County's annual pension cost was \$15,576,000 and the County contributed \$15,576,000.

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 (in thousands)

<u>Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 15,576	100.0%	\$ --
2000	15,768	100.0%	--
1999	13,714	100.0%	--

**COUNTY OF MARIN**

Notes to Financial Statements  
June 30, 2001

Note 10: **Retirement Plan** (continued)

Funded Status of Plan (in thousands)

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
2000	\$ 634,412	\$ 644,262	\$ 9,850	98.5%	\$ 114,700	9%
1999	557,216	585,890	28,674	95.1%	107,689	27%
1998	482,546	529,165	46,619	91.2%	96,873	48%

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

Note 11: **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, 2001, the County's deferred compensation plan investments include numerous participant-directed, uninsured investments in the amount of \$75,119,238.

Note 12: **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 Count's opinion that insurance coverage and designated fund balances are sufficient to cover any potential losses.

Note 13: **Prior Period Adjustments**

The following period adjustments were made to correct for prior year revenue and expense accruals.

General Fund	\$ (97,246)
Special Revenue	\$ (\$105,913)
Enterprise	\$ (45,880)
Internal Service	\$ (50,772)

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# Bartig, Basler & Ray

A Professional Corporation

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Certified Public Accountants and Management Consultants

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Frank V. Tryhall  
Kenneth E. Pope  
Brad W. Constantine  
Theril H. Lund  
Bruce W. Stephenson

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Curtis A. Orgill

To the Board of Supervisors  
County of Marin

We have performed the procedures enumerated below to the accompanying Appropriations Limit worksheet #6 of the County of Marin for the year ended June 30, 2001. These procedures, which were agreed to by the County of Marin were performed solely to assist the County in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The County of Marin management is responsible for the Appropriations Limit worksheet #6. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the County of Marin. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets (#1 through #7), and compared the limit and annual adjustment factors in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the County Board of Supervisors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Board of Supervisors.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet #6, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit worksheet #6 to the other worksheets described in #1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet #6 to the prior year appropriations limit adopted by the County Board of Supervisors for the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet #6/ Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the County of Marin and management of the County of Marin and is not intended to be and should not be used by anyone other than these specified parties.

September 21, 2001

*Bartig, Basler & Ray, CPAs, Inc.*

BARTIG, BASLER & RAY, CPAs, INC.  
Roseville, California



**COUNTY OF MARIN**

Appropriations Limit Worksheet  
For the Year Ended June 30, 2001

Gann Limit for the fiscal year ended June 30, 2000			\$ 92,195,728
Per capita personal income factor	1.0491		
Population change factor	<u>1.0197</u>	X	
Gann Limit increase factor			X <u>1.06976727</u>
Gann Limit June 30, 2001			\$ <u>98,627,972</u>

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

## COUNTY OF MARIN

### Appropriations Limit Worksheet For the Year Ended June 30, 2001

Note 1: **Per Capita Personal Income Factor**

The per capita personal income factor was obtained from the State Department of Finance in their letter dated May 1, 2000. The per capita personal income factor for fiscal year 1999-2000 used in the calculation of the 2000-01 Gann Limit was 4.91. This factor is converted to a ratio and for calculation purposes was 1.0491.

Note 2: **Population Changes**

There are three methods of calculating the change in population that a county may choose in determining the Gann Limit. 1) The change in population within its jurisdiction; 2) The change in population within its jurisdiction, combined with the changes in population within all counties having borders that are contiguous to that county; 3) The change in population within the incorporated portion of the county. The county may use either of these methods in any year.

The County has elected to use the incorporated area method (3). Per the May 1, 2000 letter from the State Department of Finance, the incorporated area population change percentage was 1.97. This percentage change was converted to the ratio factor of 1.0197.

Note 3: **Appropriation Limit**

The County has calculated the proceeds of tax for the year ended June 30, 2001 as \$66,118,497. Therefore, the proceeds of tax is \$32,272,784 less than the appropriations limit. The proceeds of tax is 67% of the limit.