

COUNTY OF MARIN

AUDIT REPORT

JUNE 30, 2002

COUNTY OF MARIN
AUDIT REPORT
For the Year Ended June 30, 2002

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A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Marin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Marin, California, as of and for the year ended June 30, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Marin County Redevelopment Agency, which represents 0.1 percent and 0.4 percent, respectively, of the assets and revenues of the County of Marin. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Marin County Redevelopment Agency, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Marin, California, as of June 30, 2002, and the respective changes in financial position and cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*;

GASB Statement No. 37, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated October 24, 2002, 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.

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

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

October 24, 2002
Roseville, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

COUNTY OF MARIN

Management's Discussion and Analysis For the Year Ended June 30, 2002

In this section of the County of Marin (County) annual financial report, County management discusses financial results for the fiscal year ended June 30, 2002, and certain financial events subsequent to that date. It should be read in conjunction with the County's financial statements following this section. All dollar amounts are expressed **in thousands** in the text and tables unless otherwise indicated.

I. FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$1,515,947 (net assets). Of this amount, \$131,513 of assets is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$7,124 during the year. Of this amount, \$4,204 is due to a prior period adjustment; the remainder of this increase is primarily due to increases in revenues from property tax collections. This increase was also due in part to the implementation of Government Accounting Standards Board Statement Number 34 (GASB 34). This new standard required the capitalization of capital assets and the recognition of special revenue funds as revenue in the current year. In past years, purchases of capital assets were treated as an expense and recognition of special revenue funds was deferred until the funds were expended.
- As of June 30, 2002, the County's governmental funds reported combined ending fund balances of \$152,812, an increase of \$59,886 over the prior year. Of the increase, \$59,422 represents a reserve for restatement of the beginning fund balance. The restatement results mainly from reclassification of trust funds to special revenue funds and governmental funds, as required by GASB Statement 34.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$24,830, or 6.73% of total general fund expenditures. There was no increase in the contingency reserve and \$2,143 was used to increase the reserve for encumbrances, inventory and advances.
- The County's total long-term obligations increased by \$11,708 during the current fiscal year. The increase is due mainly to the acquisition of the new County social services building at 120 North Redwood in October 2001. The acquisition was financed by a Certificate of Participation.
- On July 9, 2002, the County received \$33.1 million through the securitization of its Tobacco Settlement Revenue. Tobacco Settlement Revenue reimburses states and participating counties, such as Marin County, for public tax dollars diverted from other programs to pay for tobacco-related health care expenses. The County's share of the revenue was subject to fluctuation and uncertainty. To reduce the uncertainty of future revenues, the County sold its rights to the tobacco revenue stream in exchange for an up-front lump-sum cash payment (securitization).

COUNTY OF MARIN

Management's Discussion and Analysis For the Year Ended June 30, 2002

II. OVERVIEW OF THE FINANCIAL STATEMENTS

A. New Financial Report Model

The County of Marin has adopted a new financial reporting model that is designed to demonstrate government accountability by presenting both a long-term and a near-term view of its finances. This model is prescribed by Statement Number 34 of the Government Accounting Standard Board (GASB 34). This model is comprised of three parts: 1) Management Discussion and Analysis which provides the financial highlights; 2) The County's basic financial statements, which consist of the Government-Wide financial statements; the Fund financial statements and the Notes to the financial statements; 3) Required Supplementary Information.

B. Government-Wide Financial Statements

The government-wide financial statements provide an overview of the County's finances, in a manner similar to a private-sector business, that is, using the accrual basis of accounting. They demonstrate accountability of Marin County by showing the extent to which it has met operating objectives efficiently and effectively, using all resources available, and whether it can continue to do so.

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

The *statement of activities* presents information on expenses and revenues to show how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported as soon as earned and expenses are reported as soon as incurred even though the related cash flows may not take place until future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities) The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation. The business-type activities of the County are the activities of the County Fair.

Certain component units such as the County community service districts, flood control zones areas and redevelopment agencies which are essentially part of County operations and their financial data are blended in with operational funds of the County.

COUNTY OF MARIN

Management's Discussion and Analysis For the Year Ended June 30, 2002

C. Fund Financial Statements

The fund financial statements provide evidence of accountability by demonstrating compliance with budgetary decisions made in public forum. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes stipulated by laws, regulations or policies. The funds of the County are divided into three categories: governmental, proprietary and fiduciary.

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

The County maintains 124 individual governmental funds. On the financial statements for governmental funds information is presented separately for two major funds: the General Fund, and the Capital Project Fund. Data from the other governmental funds are aggregated into a third, single column.

Proprietary funds are of two types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its County Fair operation. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its workers compensation insurance.

Proprietary funds statements provide the same type of information as the part of government-wide financial statements pertaining to business-type activities, only in more detail. The County's internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's programs. In the fiduciary fund category, the County maintains several agencies funds and one investment trust fund. The accounting used for fiduciary funds is similar to that used for proprietary funds.

D. Notes to the Financial Statements

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the information provided in the financial statements.

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Management's Discussion and Analysis For the Year Ended June 30, 2002

E. Required Supplementary Information

In addition to the basic financial statements, this report presents Required Supplementary Information (RSI) that includes budgetary comparisons for the General Fund and the Capital Improvement fund.

III. FINANCIAL ANALYSIS COUNTY-WIDE

This is the first year that the County has applied GASB Statement No. 34. The County has not restated prior periods for purposes of providing comparative data on the countywide level because certain prior-year information was unavailable. However, in future years, when prior-year information becomes available, a comparative analysis of government-wide data will be presented.

County of Marin's Net Assets June 30, 2002 in \$'s

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 179,727,739	\$ 822,119	\$ 180,549,858
Capital assets	1,438,522,529	3,564,275	1,442,086,804
Total assets	\$ 1,618,250,268	\$ 4,386,394	\$ 1,622,636,662
Current and other liabilities	33,438,666	341,316	33,779,982
Long-term liabilities	72,910,137	-	72,910,137
Total liabilities	\$ 106,348,803	\$ 341,316	\$ 106,690,119
Net assets	1,511,901,465	4,045,078	1,515,946,543
Net assets:			
Invested in capital assets, net of debts	1,375,392,147	3,564,275	1,378,956,422
Restricted net assets	5,476,664	-	5,476,664
Unrestricted net assets	131,032,654	480,803	131,513,457
Total net assets	\$ 1,511,901,465	\$ 4,045,078	\$ 1,515,946,543

Investment in capital assets net of related debt reflects the County's investment in capital assets (i.e. its land, structures and improvements, infrastructure and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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Management's Discussion and Analysis
For the Year Ended June 30, 2002

Restricted net assets represent resources that are subject to external restrictions on how they may be used.

Unrestricted net assets represent 8.68% of the total net assets and may be used to meet the County's ongoing obligations to citizens and creditors.

Beside the amount invested in capital assets, the County has no externally imposed constraints on the use of its net assets.

The following table presents the activities that accounted for the changes in net assets.

**County of Marin's Change in Net Assets
For Year Ended June 30, 2002
In \$'s**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 30,635,652	\$ 1,454,723	\$ 32,090,375
Grants & contributions	223,173,256		223,173,256
General revenues:			
Property taxes	88,533,058		88,533,058
Other taxes	7,307,203		7,307,203
Other revenues	68,563,442	63	68,563,505
Total revenues:	<u>\$ 418,212,611</u>	<u>\$ 1,454,786</u>	<u>\$ 419,667,397</u>
Expenses:			
General government	70,067,762		70,067,762
Public protection	121,055,972		121,055,972
Public ways and facilities	32,910,506		32,910,506
Health and sanitation	96,362,031		96,362,031
Public assistance	75,312,039		75,312,039
Education	802,575		802,575
Culture and recreation	15,822,679		15,822,679
Interest on long-term debts	2,844,217		2,844,217
Marin County Fair		1,569,729	1,569,729
Total expenses:	<u>\$ 415,177,781</u>	<u>\$ 1,569,729</u>	<u>\$ 416,747,510</u>
Increase in net assets before transfers and special items	3,034,830	(114,943)	2,919,887
Special items	538,174	3,665,661	4,203,835
Transfers			0
Net assets - July 1, 2001	1,508,328,461	494,360	1,508,822,821
Net assets - June 30, 2002	<u>\$ 1,511,901,465</u>	<u>\$ 4,045,078</u>	<u>\$ 1,515,946,543</u>

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Management's Discussion and Analysis For the Year Ended June 30, 2002

The following are highlights of significant factors that affected the governmental and business activities and contributed to the increase in net assets:

- Capital assets – As of July 1, 2001, in accordance with GASB 34, capital assets that would have been expensed according to past practices were reclassified. This resulted in an increase in net assets of \$1,186,179 due mainly to the inclusion of the County road infrastructure.
- Net assets at June 30, 2002 were higher by \$7,124. Of this amount, \$4,204 is due to a prior period adjustment; the remainder of this increase is due to increases in revenues from property tax collections and also due in part to the implementation of Government Accounting Standards Board Statement Number 34 (GASB 34).

IV. FINANCIAL ANALYSIS OF FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements.

Governmental funds. The general government functions are included in the General, Special Revenue, Debt Service, and Capital Project Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

At June 30, 2002, the County's governmental funds reported combined ending fund balances of \$152,812, an increase of \$59,886 in comparison with the prior year. Of the increase, \$59,422 represents a reserve for restatement of the beginning fund balance. The restatement results mainly from reclassification of trust funds to special revenue funds and governmental funds, as required by GASB Statement 34.

Portions of fund balance are reserved to indicate that funds are not available for new spending because it has been committed: 1) to reflect inventories and the amount due from other funds that are long-term in nature and thus do not represent available spendable resources (\$549), 2) to liquidate contractual commitments of the prior period (\$33,109), 3) to provide fund to various Community Service Districts (Permanent Road Division) to spend for the local capital projects (\$159), 4) to convert trust funds to governmental funds (\$52,718), as required under GASB 34, and 5) to reflect a self-insurance reserve established by the Board of Supervisors (\$12,216).

The general fund is the main operating fund of the County. At June 30, 2002, unreserved undesignated fund balance of the general fund was \$24,830 while total fund balance reached \$100,121. As measures of the general fund's liquidity, it is useful to note that unreserved

COUNTY OF MARIN

Management's Discussion and Analysis
For the Year Ended June 30, 2002

undesignated fund balance represents 6.73% percent of total fund expenditures, while total fund balance represents 27.15% of that same amount.

The following table presents the revenues from various sources in the governmental funds.

**County of Marin
Revenues in the Governmental Funds
In \$'s**

Revenue Sources	FY 2002	
	Amount	% of Total
Taxes	\$ 95,840,261	23.0%
Licenses and permits	7,678,250	1.8%
Fines, forfeitures and penalties	8,096,667	1.9%
Use of money and property	9,592,938	2.3%
Intergovernmental	223,173,256	53.6%
Charges for services	13,637,252	3.3%
Other	58,605,389	14.1%
Total	<u>\$ 416,624,013</u>	<u>100.0%</u>

This is the first year that the County has applied GASB Statement No. 34. The County has not restated prior periods for purposes of providing comparative data on the countywide level because certain prior-year information was unavailable. However, in future years, when prior-year information becomes available, a comparative analysis of government-wide data will be presented.

The following table presents expenditures by function in the governmental funds.

**County of Marin
Expenditures in the Governmental Funds
In \$'s**

Function	FY 2002	
	Amount	% of Total
General government	\$ 70,358,955	16.3%
Public protection	120,168,143	27.9%
Public ways and facilities	23,692,625	5.5%
Health and sanitation	96,383,914	22.3%
Public assistance	74,601,688	17.3%
Education	802,575	0.2%
Culture and recreation	15,350,743	3.6%
Capital outlay	25,176,072	5.8%
Debt – principal payment	2,310,000	0.5%
Debt – interest payment	2,561,545	0.6%
Total	<u>\$ 431,406,260</u>	<u>100.0%</u>

COUNTY OF MARIN

Management's Discussion and Analysis
For the Year Ended June 30, 2002

This is the first year that the County has applied GASB Statement No. 34. The County has not restated prior periods for purposes of providing comparative data on the countywide level because certain prior-year information was unavailable. However, in future years, when prior-year information becomes available, a comparative analysis of government-wide data will be presented.

V. GENERAL FUND BUDGETARY HIGHLIGHTS

This is the first year that the County has applied GASB Statement No. 34. Certain information related to actual amounts received compared to budgeted amounts is not available. However, in future years, when this information becomes available, a comparison of budgeted to actual amounts will be presented.

VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The County's investment in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$1,442,086 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment and general infrastructure (roads, bridges, flood control network and sewage systems).

In accordance with GASB 34 requirements the County has, for the first time, recorded the cost of infrastructure improvements as capital assets.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

**County of Marin's Capital Assets
(Net of Depreciation)
In \$000's**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Land and infrastructure land	\$ 1,213,873	\$ 1,213,873	\$ 1,778	\$ 1,778	\$ 1,215,651	\$ 1,215,651
Structures & improvements	59,798	59,424	1,765	1,857	61,563	61,281
Equipment	14,228	14,317	21	23	14,249	14,340
Infrastructure	110,862	120,084	--	--	110,862	120,084
Construction in progress	39,761	17,438			39,761	17,438
Total	<u>\$ 1,438,522</u>	<u>\$ 1,425,136</u>	<u>\$ 3,564</u>	<u>\$ 3,658</u>	<u>\$ 1,442,086</u>	<u>\$ 1,428,794</u>

COUNTY OF MARIN

Management's Discussion and Analysis For the Year Ended June 30, 2002

B. Long-Term Debt

At June 30, 2002, the County had total long-term debt outstanding of \$81,786 consisting of \$8,876 of compensated absences, \$4,980 in capitalized lease obligations, \$55,030 in outstanding certificates of participation, and \$12,900 in bonds and loans payable.

Additional information on the County's long-term liabilities can be found in Note 8 of this report.

VII. Economic Factors and FY 2002-03 Budget

The County budget for the 2002-03 fiscal year is overshadowed by uncertainties surrounding the resolution of the State budget crisis. Although the County budget is balanced, there is risk of revenue reductions from State sources during the next and future fiscal years. Consequently, the County developed budget goals that address those risks, in particular by developing contingency plans for possible reductions in State revenues.

The economy in Marin County has shown strong growth in the real estate sector and we expect some additional growth in the budget year, albeit at a slower rate. However, we do not expect local sales tax, vehicle license fee offset and transient occupancy tax revenues to experience the strong growth of the past few years. Overall, the economy in Marin remains healthy, and Marin County continues to have one of the lowest unemployment rates in California.

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

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Management's Discussion and Analysis
For the Year Ended June 30, 2002

VIII. Request for Information

This financial report is designed to demonstrate accountability by the Marin County government by providing both a long-term and near-term views of the County's finances. Questions or comments regarding any of the information presented in this report or requests for additional financial information should be addressed to:

Auditor-Controller Richard Arrow
County of Marin
3501 Civic Center Dr., Room 225
San Rafael, CA 94903
Tel: (415) 499 6154

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF MARIN

Statement of Net Assets

June 30, 2002

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments in County pool	\$ 147,008,303	\$ 313	\$ 147,008,616
Receivables:			
Accounts and other - net	307,002	--	307,002
Interest	2,196,947	5,631	2,202,578
Taxes	9,633,513	--	9,633,513
Due from other agencies	15,153,587	--	15,153,587
Loans	560,801	--	560,801
Inventories	548,930	--	548,930
Prepaid items and other assets	--	872,474	872,474
Internal balances	56,299	(56,299)	--
Due from external parties	265,168	--	265,168
Restricted cash held with trustee	3,997,189	--	3,997,189
Capital assets:			
Nondepreciable	1,253,634,290	1,777,659	1,255,411,949
Depreciable, net	184,888,239	1,786,616	186,674,855
Total Assets	<u>\$ 1,618,250,268</u>	<u>\$ 4,386,394</u>	<u>\$ 1,622,636,662</u>
LIABILITIES			
Vouchers and accounts payable	\$ 10,328,983	\$ 69,463	\$ 10,398,446
Salaries and benefits payable	3,048,980	--	3,048,980
Accrued interest payable	1,407,427	--	1,407,427
Deposits from others	--	--	--
Deferred revenues	1,212,820	271,853	1,484,673
Estimated claims	8,564,905	--	8,564,905
Compensated absences:			
Due within one year	4,437,775	--	4,437,775
Due beyond one year	4,437,776	--	4,437,776
Long-term liabilities:			
Due within one year	6,567,203	--	6,567,203
Due beyond one year	66,342,934	--	66,342,934
Total Liabilities	<u>106,348,803</u>	<u>341,316</u>	<u>106,690,119</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,375,392,147	3,564,275	1,378,956,422
Restricted	5,476,664	--	5,476,664
Unrestricted	131,032,654	480,803	131,513,457
Total Net Assets	<u>1,511,901,465</u>	<u>4,045,078</u>	<u>1,515,946,543</u>
Total Liabilities and Net Assets	<u>\$ 1,618,250,268</u>	<u>\$ 4,386,394</u>	<u>\$ 1,622,636,662</u>

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

COUNTY OF MARIN

Statement of Activities
For the Year Ended June 30, 2002

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Functions/Programs</u>				
Primary Government				
Governmental Activities:				
General government	\$ 70,067,762	\$ 16,865,312	\$ 21,536,896	\$ --
Public protection	121,055,972	10,437,216	44,463,072	314,243
Public ways and facilities	32,910,506	6,282	10,504,970	--
Health and sanitation	96,362,031	2,176,402	79,185,287	250,000
Public assistance	75,312,039	136,222	66,360,375	--
Education	802,575	347,792	555,507	--
Recreation and culture services	15,822,679	666,426	2,906	--
Interest on long-term debt	2,844,217	--	--	--
Total Governmental Activities	<u>415,177,781</u>	<u>30,635,652</u>	<u>222,609,013</u>	<u>564,243</u>
Business-Type Activities:				
Marin County Fair	<u>1,569,729</u>	<u>1,454,723</u>	<u>--</u>	<u>--</u>
Total Business-Type Activities	<u>1,569,729</u>	<u>1,454,723</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 416,747,510</u>	<u>\$ 32,090,375</u>	<u>\$ 222,609,013</u>	<u>\$ 564,243</u>
General Revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Other				
Unrestricted interest and investment earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - July 1, 2001				
Prior period adjustment				
Net Assets - June 30, 2002				

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

Net (Expenses) Revenues and
Changes in Net Assets

Primary Government		
Governmental Activities	Business- Type Activities	Total
\$ (31,665,554)	\$ --	\$ (31,665,554)
(65,841,441)	--	(65,841,441)
(22,399,254)	--	(22,399,254)
(14,750,342)	--	(14,750,342)
(8,815,442)	--	(8,815,442)
100,724	--	100,724
(15,153,347)	--	(15,153,347)
(2,844,217)	--	(2,844,217)
<u>(161,368,873)</u>	<u>--</u>	<u>(161,368,873)</u>
--	(115,006)	(115,006)
--	(115,006)	(115,006)
<u>\$ (161,368,873)</u>	<u>\$ (115,006)</u>	<u>\$ (161,483,879)</u>
\$ 88,533,058	\$ --	\$ 88,533,058
3,019,306	--	3,019,306
4,287,897	--	4,287,897
9,958,053	--	9,958,053
58,605,389	63	58,605,452
--	--	--
<u>164,403,703</u>	<u>63</u>	<u>164,403,766</u>
<u>3,034,830</u>	<u>(114,943)</u>	<u>2,919,887</u>
1,508,328,461	494,360	1,508,822,821
538,174	3,665,661	4,203,835
<u>1,508,866,635</u>	<u>4,160,021</u>	<u>1,513,026,656</u>
<u>\$ 1,511,901,465</u>	<u>\$ 4,045,078</u>	<u>\$ 1,515,946,543</u>

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

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF MARIN

Balance Sheet Governmental Funds June 30, 2002

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and investments in County pool	\$ 85,919,536	\$ 24,397,667	\$ 24,285,998	\$ 134,603,201
Cash with fiscal agent	29,877	3,698,835	5,208	3,733,920
Receivables:				
Taxes	9,512,019	--	121,494	9,633,513
Interest	1,738,772	114,929	219,163	2,072,864
Other	293,114	--	13,888	307,002
Loans receivable	244,224	316,577	--	560,801
Due from other funds	552,116	--	12,485	564,601
Due from other governmental agencies	13,353,710	246,000	1,553,877	15,153,587
Advances to other funds	159,541	--	--	159,541
Inventory of supplies	264,450	--	284,480	548,930
	\$ 112,067,359	\$ 28,774,008	\$ 26,496,593	\$ 167,337,960
LIABILITIES				
Accounts payable and accrued expenses	\$ 7,840,125	\$ 1,735,113	\$ 529,033	\$ 10,104,271
Accrued salaries and benefits	3,048,980	--	--	3,048,980
Advances payable	--	--	159,541	159,541
Deferred revenue	1,057,257	--	155,563	1,212,820
Total Liabilities	11,946,362	1,735,113	844,137	14,525,612
FUND BALANCES				
Reserved for:				
Encumbrances	20,598,767	11,408,096	1,102,411	33,109,274
Advances to other funds	159,541	--	--	159,541
Inventories	264,450	--	284,480	548,930
Self-insurance	12,216,027	--	--	12,216,027
Special programs	37,657,526	13,482,842	1,577,908	52,718,276
Tax losses	1,479,475	--	--	1,479,475
Unreserved:				
Designated:				
Contingencies	25,000	--	--	25,000
State funding uncertainties	2,889,948	--	--	2,889,948
Debt service	--	--	86,914	86,914
Undesignated	24,830,263	2,147,957	22,600,743	49,578,963
Total Fund Balances	100,120,997	27,038,895	25,652,456	152,812,348
	\$ 112,067,359	\$ 28,774,008	\$ 26,496,593	\$ 167,337,960
Total Liabilities and Fund Balances	\$ 112,067,359	\$ 28,774,008	\$ 26,496,593	\$ 167,337,960

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

COUNTY OF MARIN

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2002

Fund Balance - total governmental funds (page 16) \$ 152,812,348

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the governmental funds. These assets consist of:

Land	\$ 1,213,873,703	
Construction in progress	39,760,587	
Infrastructure, net of \$165,659,548 accumulated depreciation	110,862,190	
Buildings and improvements, net of \$46,926,643 accumulated depreciation	59,798,172	
Equipment, net of \$28,556,745 accumulated depreciation	<u>14,227,877</u>	
Total capital assets		1,438,522,529

Internal service funds are used by the County to charge the cost of worker's
compensation insurance to individual funds. The assets and liabilities of the
internal service funds are included in governmental activities in the statement
of net assets.

12,324,608

Long-term liabilities applicable to the County's governmental activities are not
due and payable in the current period and accordingly are not reported as fund
liabilities. Interest on long-term debt is not accrued in governmental funds, but
rather is recognized as an expenditure when due. All liabilities are reported in the
statement of net assets. Balances as of June 30, 2002 are:

Certificates of participation, bonds and loans payable	(67,929,795)	
Capital leases	(4,980,342)	
Accrued interest on long-term debt	(1,407,427)	
Compensated absences	(8,875,551)	
Claims and judgments	<u>(8,564,905)</u>	
Total long-term liabilities		<u>(91,758,020)</u>

Net assets of governmental activities (page 13)

\$ 1,511,901,465

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

COUNTY OF MARIN

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2002

	General	Capital Projects	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 79,271,896	\$ --	\$ 16,568,365	\$ 95,840,261
Licenses and permits	7,672,016	--	6,234	7,678,250
Intergovernmental revenues	209,956,964	2,053,694	11,162,598	223,173,256
Charges for services	13,300,190	--	337,062	13,637,252
Fines and forfeits	7,151,954	920,408	24,305	8,096,667
From use of money and property	7,554,072	806,248	1,232,618	9,592,938
Miscellaneous	55,220,735	587,788	2,796,866	58,605,389
Total Revenues	<u>380,127,827</u>	<u>4,368,138</u>	<u>32,128,048</u>	<u>416,624,013</u>
Expenditures:				
General government	69,941,182	437,122	(19,349)	70,358,955
Public safety	112,504,435	--	7,663,708	120,168,143
Transportation	8,964,260	--	14,728,365	23,692,625
Health	96,383,914	--	--	96,383,914
Welfare	74,601,688	--	--	74,601,688
Education	--	--	802,575	802,575
Culture and recreation	6,426,283	--	8,924,460	15,350,743
Capital outlay	--	25,176,072	--	25,176,072
Debt Service:				
Principal	--	2,135,000	175,000	2,310,000
Interest	--	1,873,732	687,813	2,561,545
Total Expenditures	<u>368,821,762</u>	<u>29,621,926</u>	<u>32,962,572</u>	<u>431,406,260</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,306,065</u>	<u>(25,253,788)</u>	<u>(834,524)</u>	<u>(14,782,247)</u>
Other Financing Sources (Uses):				
Inception of capital lease	607,700	--	--	607,700
Bond issuance	--	14,100,000	--	14,100,000
Transfers in	1,927,282	11,731,291	3,006,010	16,664,583
Transfers out	(12,447,205)	(2,700,610)	(1,516,768)	(16,664,583)
Total Other Financing Sources (Uses)	<u>(9,912,223)</u>	<u>23,130,681</u>	<u>1,489,242</u>	<u>14,707,700</u>
Changes in Fund Balances	1,393,842	(2,123,107)	654,718	(74,547)
Fund Balance, Beginning of Fiscal Year	56,463,940	14,643,809	21,818,900	92,926,649
Prior period adjustment	42,263,215	14,518,193	3,178,838	59,960,246
Fund Balance, End of Fiscal Year	<u>\$ 100,120,997</u>	<u>\$ 27,038,895</u>	<u>\$ 25,652,456</u>	<u>\$ 152,812,348</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF MARIN

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2002

Net change to fund balance - total governmental funds (page 18) \$ (74,547)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$29,774,837) exceeded depreciation (\$16,388,370) in the current period. 13,386,467

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

Bond issuance	\$ (14,100,000)	
Repayment of bonds, certificates of participation, and notes	2,310,000	
Net adjustment		(11,790,000)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

Capital lease arrangement	(607,700)	
Repayment of capital lease obligations	1,352,668	
Net adjustment		744,968

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of two items.

Compensated absences	(662,361)	
Accrued interest on long-term debt	(282,672)	
Combined adjustment		(945,033)

Internal service funds are used by the County to charge the cost of worker's compensation insurance to individual funds. The net revenue of internal service fund is reported with governmental activities. 1,712,975

Change in net assets of governmental activities (page 15) \$ 3,034,830

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

COUNTY OF MARIN

Statement of Fund Net Assets
Proprietary Funds
June 30, 2002

	Business-Type Activities	Governmental Activities
	Fair	Internal Service
ASSETS		
Cash and investments in County pool	\$ 313	\$ 12,405,102
Held with trustee	--	263,269
Receivables:		
Interest	5,631	124,083
Prepaid items and other assets	872,474	--
Due from other funds	--	5,847
Capital assets:		
Nondepreciable	1,777,659	--
Depreciable, net	1,786,616	--
Total Assets	\$ 4,442,693	\$ 12,798,301
LIABILITIES		
Vouchers and accounts payable	\$ 69,463	\$ 224,712
Deferred revenues	271,853	--
Due to other funds	56,299	248,981
Estimated claims	--	8,564,905
Total Liabilities	397,615	9,038,598
NET ASSETS		
Unrestricted	4,045,078	3,759,703
Total Net Assets	4,045,078	3,759,703
Total Liabilities and Net Assets	\$ 4,442,693	\$ 12,798,301

The accompanying are an integral part of these financial statements.

COUNTY OF MARIN

Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2002

	Business-Type Activities	Governmental Activities
	Fair	Internal Service
Operating Revenues:		
Operating revenues	\$ 1,454,723	\$ --
Premiums	--	5,235,065
	<u>1,454,723</u>	<u>5,235,065</u>
Total Operating Revenues		
	<u>1,454,723</u>	<u>5,235,065</u>
Operating Expenses:		
Claims expense	--	3,887,205
Operating expenses	1,569,729	--
	<u>1,569,729</u>	<u>3,887,205</u>
Total Operating Expenses		
	<u>1,569,729</u>	<u>3,887,205</u>
Operating Income (Loss)	<u>(115,006)</u>	<u>1,347,860</u>
Non-Operating Revenues (Expenses):		
Miscellaneous revenue	63	--
Investment income	--	365,115
	<u>63</u>	<u>365,115</u>
Total Non-Operating Revenues (Expenses)		
	<u>63</u>	<u>365,115</u>
Change in net assets	(114,943)	1,712,975
Net assets - beginning	494,360	2,046,728
Prior period adjustment	3,665,661	--
Net assets - ending	<u>\$ 4,045,078</u>	<u>\$ 3,759,703</u>

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

COUNTY OF MARIN

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2002

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Fair</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,377,552	\$ 5,235,065
Cash paid to suppliers for goods and services	(1,435,009)	(3,799,171)
Internal activities - payments from (to) other funds	<u>50,901</u>	<u>16,625</u>
Net Cash Provided (Used) by Operating Activities	<u>(6,556)</u>	<u>1,452,519</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Non-operating revenues	<u>63</u>	<u>--</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>63</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>6,806</u>	<u>474,519</u>
Net Cash Provided by Investing Activities	<u>6,806</u>	<u>474,519</u>
Net Increase (Decrease) in Cash and Cash Equivalents	313	1,927,038
Cash and Cash Equivalents, Beginning of Year	<u>--</u>	<u>10,741,333</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 313</u></u>	<u><u>\$ 12,668,371</u></u>

continued

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

COUNTY OF MARIN

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2002

	Business-Type Activities	Governmental Activities
	Fair	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (115,006)	\$ 1,347,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	101,386	--
Changes in assets and liabilities:		
(Increase) decrease in:		
Due from other funds	--	(5,847)
Prepaid expenses and other assets	126,243	--
Increase (decrease) in:		
Accounts payable	(92,909)	88,034
Due to other funds	50,901	22,472
Deferred revenue	(77,171)	--
Claims and judgments	--	--
	<u>\$ (6,556)</u>	<u>\$ 1,452,519</u>

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

COUNTY OF MARIN

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

ASSETS	<u>Investment Trust</u>	<u>Agency Funds</u>	<u>Total</u>
Current Assets:			
Cash and investments	\$ 315,389,178	\$ 41,882,373	\$ 357,271,551
Cash with fiscal agent	--	2,517,448	2,517,448
Taxes receivable	--	3,092,809	3,092,809
Interest receivable	3,349,819	374,537	3,724,356
Accounts receivable	--	15,583	15,583
Due from other funds	--	326,238	326,238
Due from other governmental agencies	--	10,523	10,523
Total Current Assets	<u><u>\$ 318,738,997</u></u>	<u><u>\$ 48,219,511</u></u>	<u><u>\$ 366,958,508</u></u>
 LIABILITIES			
Due to other funds	--	591,406	591,406
Agency funds held for others	--	47,628,105	47,628,105
Total Liabilities	<u><u>--</u></u>	<u><u>48,219,511</u></u>	<u><u>48,219,511</u></u>
 NET ASSETS			
Net Assets held in trust for investment pool participants	<u>318,738,997</u>	<u>--</u>	<u>318,738,997</u>
Total Net Assets	<u><u>318,738,997</u></u>	<u><u>--</u></u>	<u><u>318,738,997</u></u>
 Total Liabilities and Net Assets	<u><u>\$ 318,738,997</u></u>	<u><u>\$ 48,219,511</u></u>	<u><u>\$ 366,958,508</u></u>

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

COUNTY OF MARIN

Statement of Changes in Net Assets
Investment Trust Fund
June 30, 2002

Additions:

Contributions to investment pool	\$ 257,666,592
Interest and investment income	<u>11,082,618</u>
Total additions	<u>268,749,210</u>

Deductions:

Distributions from investment pool	<u>206,928,400</u>
Total deductions	<u>206,928,400</u>

Change in net assets 61,820,810

Net assets, beginning 256,918,187

Net assets, ending \$ 318,738,997

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

**BASIC FINANCIAL STATEMENTS –
NOTES TO THE BASIC FINANCIAL STATEMENTS**

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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 financial statements to emphasize that the component units are legally separate from the government. In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." 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
- Marin County Redevelopment Agency

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. **Implementation of Governmental Accounting Standards Board Statements**

GASB Statements No. 33 and 36

In December 1998 and in April 2000, the Governmental Accounting Standards Board (GASB) issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues – an amendment of GASB Statement No. 33*, respectively. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). The County has adopted these statements for its fiscal year ended June 30, 2002 financial statements as discussed in Note 1.

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

B. **Implementation of Governmental Accounting Standards Board Statements** (continued)

GASB Statement Nos. 34 and 37

In June 1999 and in June 2001, the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments – Omnibus*, respectively. These statements provide for the most significant change in financial reporting in over twenty years and are scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002. As part of these statements, there is a new reporting requirement regarding the local government’s infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation to the fiscal year ending 2006 for June 2002 infrastructure assets.

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt.

GASB Interpretation No. 6

In March 2000, the GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

As required, the County has elected to implement GASB Statement Nos. 34, 37 and 38 and Interpretation No. 6 and these statements are presented according to those requirements as discussed in Note 1.

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

C. **Basis of Presentation**

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Interest expense related to long term debt is reported as a direct expense. The total amount of interest charged to expense for the year ended June 30, 2002 was \$2,844,217. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

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

Fund Financial Statements (continued)

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.
- The *Capital Projects* was established to account for financial resources to be used for the acquisition of major capital facilities.

The County reports the following major enterprise funds:

- The *Fair Fund* was established to account for the activities of the annual County Fair.

The County reports the following additional fund types:

- *Internal Service Funds* are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis.
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

D. **Basis of Accounting**

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

D. Basis of Accounting (continued)

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

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

E. Non-Current Governmental Assets/Liabilities

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

F. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool, to be cash equivalents.

G. Receivables

An allowance for uncollectible taxes receivable is included in the amount reported as taxes receivable.

H. Inventories

Inventories are valued at the lower of average cost or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an asset at the time individual inventories are purchased and charged to expenditures/expenses when used.

I. Property Tax Revenue

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 January 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 is included in the general 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 amount due from and to other funds. Amounts accrued but not received by the County as of June 30, 2002, are recorded as receivables directly by the funds to which the revenue relates. Taxes are recorded at billable value less allowance for

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

I. Property Tax Revenue (continued)

\$311,033. 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.

J. Long-Term Receivables

Non-current portions of long-term receivables for governmental fund types are reported on their balance sheets, in spite of their measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources”, since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred until they become current receivables. Non-current portions of long-term loans receivables are offset by fund balance reserve accounts.

K. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The County defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and the proprietary funds.

The estimated useful lives are as follows:

Infrastructure	20 to 50 years
Structures and improvements	20 to 50 years
Equipment	5 to 25 years

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

L. **Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and compensatory time-off balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

M. **Interfund Transactions**

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

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

N. **Estimates**

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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 2: Cash and Investments

Cash and investments at June 30, 2002, consist of the following:

Cash and Investments in County Pool	
Pooled cash	\$ 21,836,363
Pooled investments	518,683,200
Other investments	<u>10,198,810</u>
	<u>550,718,373</u>
Less outstanding warrants	<u>(46,438,206)</u>
Total Cash and Investments in County Pool	504,280,167
Cash with fiscal agent	<u>6,514,637</u>
Total Cash and Investments	<u>\$ 510,794,804</u>
Pooled cash and investments presented on financial statements	\$ 504,280,167
Treasurer outstanding items	<u>46,438,206</u>
Total Cash and Investments in County Treasury at June 30, 2002	<u>\$ 550,718,373</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.

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, 2002, the carrying amount of the County's bank balance was \$21,833,951 and per the bank was \$3,656,054. 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

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 2: Cash and Investments

Pooled Cash and Non-Negotiable Certificates of Deposit (continued)

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

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

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 2: **Cash and Investments**

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

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/ Call Dates</u>
	<u>1</u>	<u>2</u>	<u>3</u>					
Commercial Paper	\$ 19,981,844	\$ --	\$ --	\$ 19,981,844	\$ 19,977,373	\$ 20,000,000	1.72%	7/02
Government Securities	441,655,438	--	--	441,655,438	441,987,021	444,083,000	1.65%-6.88%	7/02-12/03
Negotiable Certificate of Deposit	<u>5,000,000</u>	<u>--</u>	<u>--</u>	<u>5,000,000</u>	<u>5,000,786</u>	<u>5,000,000</u>	1.89%	9/02
	<u>\$ 466,637,282</u>	<u>\$ --</u>	<u>\$ --</u>	466,637,282	466,965,180	469,083,000		
Investments not subject to categorization:								
State of California:								
Local Agency Investment Fund				31,028,700	31,028,700	31,028,700	2.75%	N/A
Money Market Funds				23,173,510	23,207,273	23,173,510	1.78%-1.86%	N/A
Sweep Account				8,042,518	8,042,518	8,042,518	1.48%-1.53%	N/A
Cash in Bank				21,833,951	21,833,951	21,833,951	N/A	N/A
Cash on Hand				<u>2,412</u>	<u>2,412</u>	<u>2,412</u>	N/A	N/A
Total Cash and Investments				<u>\$ 550,718,373</u>	<u>\$ 551,080,035</u>	<u>\$ 553,164,091</u>		

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 100.07% of cost) so that no adjustments has been reported on the financial statements.

At June 30, 2002, 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.

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 2: Cash and Investments

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

The following are condensed statements of net assets and changes in net assets, for the County's investment pool as of June 30, 2002 and for the year then ended:

Statement of Net Assets

Net assets held for pool participants	\$ <u>504,280,167</u>
Equity of internal pool participants	\$ 188,890,689
Equity of external pool participants	<u>315,389,478</u>
Total Equity	<u>\$ 504,280,167</u>

Statement of Changes in Net Assets

Net assets at July 1, 2001	\$ 440,894,340
Net change in investment by pool participants	<u>63,385,827</u>
Net Assets at June 30, 2002	<u>\$ 504,280,167</u>

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.

Derivative Financial Products

The County of Marin portfolio includes a fair value investment in Local Agency Investment Fund (LAIF) at June 30, 2002 of \$31,028,700. The total fair value amount invested by all public agencies in LAIF was approximately \$48 billion. LAIF did not hold any investments in derivative financial products as of June 30, 2002.

The regulatory oversight to the LAIF is the Local Agency Investment Board. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the pooled Treasury's portion in the pool.

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 3: **Interfund Transactions**

The composition of interfund balances as of June 30, 2002, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Agency	\$ 246,836
	Internal Service	248,981
	Enterprise	<u>56,299</u>
		<u>552,116</u>
Nonmajor Governmental Funds	Agency	12,485
Internal Service	Agency	5,847
Agency	Agency	<u>326,238</u>
Total		<u>\$ 896,686</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Nonmajor Governmental	<u>\$ 159,541</u>
Total		<u>\$ 159,541</u>

Transfers

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

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects	\$ 11,447,205	Transfer funds to finance capital improvements
	Nonmajor Governmental Funds	<u>1,000,000</u>	Provide subsidy to cover portion to operation
		<u>12,447,205</u>	

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 3: **Interfund Transactions** (continued)

Transfers (continued)

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General Fund	\$ 1,500,610	Provide funds to cover part of operation
	Nonmajor Governmental Funds	<u>1,200,000</u>	Provide subsidy to cover portion of operation
		<u>2,700,610</u>	
Nonmajor Governmental Funds	General Fund	426,672	Residual equity transfers
	Nonmajor Governmental Funds	<u>1,090,096</u>	Provide funds to cover part of operation
		<u>1,516,768</u>	
Total		<u>\$ 16,664,583</u>	

Note 4: **Capital Assets**

Capital asset activity for the year ended June 30, 2002 was as follows:

	Balance 6/30/01 <u>(as restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers & Adjustments</u>	Audited Balance 6/30/02
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 8,910,279	\$ --	\$ --	\$ --	\$ 8,910,279
Infrastructure land	1,204,963,424	--	--	--	1,204,963,424
Construction in progress	<u>17,438,382</u>	<u>25,372,442</u>	--	<u>(3,050,237)</u>	<u>39,760,587</u>
Total capital assets, not being depreciated	<u>1,231,312,085</u>	<u>25,372,442</u>	--	<u>(3,050,237)</u>	<u>1,253,634,290</u>
Capital assets, being depreciated:					
Infrastructure	276,521,737	--	--	--	276,521,737
Structures and improvements	103,786,661	79,274	--	2,858,880	106,724,815
Equipment	<u>39,671,687</u>	<u>4,323,121</u>	<u>(1,401,543)</u>	<u>191,357</u>	<u>42,784,622</u>
Total capital assets, being depreciated	<u>419,980,085</u>	<u>4,402,395</u>	<u>(1,401,543)</u>	<u>3,050,237</u>	<u>426,031,174</u>
Less accumulated depreciation for:					
Infrastructure	(156,437,117)	(9,222,430)	--	--	(165,659,547)
Structures and improvements	(44,363,478)	(2,563,165)	--	--	(46,926,643)
Equipment	<u>(25,355,513)</u>	<u>(4,602,775)</u>	<u>1,401,543</u>	--	<u>(28,556,745)</u>
Total accumulated depreciation	<u>(226,156,108)</u>	<u>(16,388,370)</u>	<u>1,401,543</u>	--	<u>(241,142,935)</u>
Total capital assets, being depreciated, net	<u>193,823,977</u>	<u>(11,985,975)</u>	--	<u>3,050,237</u>	<u>184,888,239</u>
Government activities capital assets, net	<u>\$ 1,425,136,062</u>	<u>\$ 13,386,467</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,438,522,529</u>

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 4: **Capital Assets** (continued)

	Balance 6/30/01 <u>(as restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers & Adjustments</u>	Audited Balance 6/30/02
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,777,659	\$ --	\$ --	\$ --	\$ 1,777,659
Total capital assets, not being depreciated	<u>1,777,659</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,777,659</u>
Capital assets, being depreciated:					
Structures and improvements	3,715,756	--	--	--	3,715,756
Equipment	<u>71,000</u>	<u>8,386</u>	<u>--</u>	<u>--</u>	<u>79,386</u>
Total capital assets, being depreciated	<u>3,786,756</u>	<u>8,386</u>	<u>--</u>	<u>--</u>	<u>3,795,142</u>
Less accumulated depreciation for:					
Structures and improvements	(1,857,878)	(92,894)	--	--	(1,950,772)
Equipment	<u>(48,482)</u>	<u>(9,272)</u>	<u>--</u>	<u>--</u>	<u>(57,754)</u>
Total accumulated depreciation	<u>(1,906,360)</u>	<u>(102,166)</u>	<u>--</u>	<u>--</u>	<u>(2,008,526)</u>
Total capital assets, being depreciated, net	<u>1,880,396</u>	<u>(93,780)</u>	<u>--</u>	<u>--</u>	<u>1,786,616</u>
Business-type activities capital assets, net	<u>\$ 3,658,055</u>	<u>\$ (93,780)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,564,275</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 4,255,733
Public Protection	1,451,323
Public Ways & Facilities	9,559,110
Health Services	261,868
Public Assistance	95,434
Recreation	336,019
Education	<u>428,883</u>
Total Depreciation Expense – Governmental Functions	16,388,370
Business-Type: County Fair	<u>102,166</u>
Total	<u>\$ 16,490,536</u>

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 4: **Capital Assets** (continued)

Depreciation (continued)

Governmental activities capital assets as reported in the general fixed assets account group – June 30, 2001	\$ 192,777,262
Less: Business-type activity equipment included in general fixed assets account group at June 30, 2001	(71,000)
Less: Trust & agencies capital assets included in General fixed assets account group at June 30, 2001	(29,370,132)
Record infrastructure land	1,204,963,424
Record infrastructure assets, net of accumulated depreciation of \$156,437,117	118,343,857
Record leased equipment not included in general fixed assets account group at June 30, 2001	8,211,642
Record accumulated depreciation for structures and improvements and equipment	<u>(69,718,991)</u>
Governmental activities capital assets as restated – July 1, 2001	<u>\$ 1,425,136,062</u>
Business-type activities equipment included in the general fixed assets account group – June 30, 2001	\$ 71,000
Record land and structures and improvements not reported in prior years	5,493,415
Record accumulated depreciation for structures and improvements and equipment	<u>(1,906,360)</u>
Business-type activities capital assets as restated – July 1, 2001	<u>\$ 3,658,055</u>

Note 5: **Receivables**

Receivables at year-end of the County’s major individual funds and nonmajor and internal service funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Internal Service</u>	<u>Total Governmental Activities</u>
Accounts	\$ 293,114	\$ --	\$ 13,888	\$ --	\$ 307,002
Interest	1,738,772	114,929	219,163	124,083	2,196,947
Taxes	9,512,019	--	121,494	--	9,633,513
Due from other govts.	<u>13,353,710</u>	<u>246,000</u>	<u>1,553,877</u>	<u>--</u>	<u>15,153,587</u>
Total Receivables	<u>\$ 24,897,615</u>	<u>\$ 360,929</u>	<u>\$ 1,908,422</u>	<u>\$ 124,083</u>	<u>\$ 27,291,049</u>

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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, 2001	\$ 8,619,381
Incurred claims and changes in estimates	3,453,479
Claims payments	<u>(3,507,955)</u>
Claims liability– June 30, 2002	<u>\$ 8,564,905</u>

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

In September of 2002, the County issued a Tax and Revenue Anticipation Note (TRAN) in the amount of \$37,000,000 to cover cash flow shortfalls prior to the December collection of property taxes. The \$37,000,000 TRAN plus accrued interest is due on September 11, 2003.

Note 8: **Long-Term Debt**

The following table summarizes the changes in the County's long-term debt at June 30, 2002:

	Balance			Balance	Amounts
	<u>June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2002</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated absences	\$ 8,213,190	\$ 662,361	\$ --	\$ 8,875,551	\$ 4,437,775
Capital leases	5,725,310	607,700	1,352,668	4,980,342	1,746,144
Loans payable	64,795	--	--	64,795	--
Bonds payable					
1998 refunding rev. bonds	12,955,000	--	120,000	12,835,000	140,000
General obligation bonds	55,000	--	55,000	--	--
Certificates of Participation					
01 Capital Improvements	--	14,100,000	--	14,100,000	685,376
98 Series A	23,530,000	--	635,000	22,895,000	1,715,500
99 Series B	<u>19,535,000</u>	<u>--</u>	<u>1,500,000</u>	<u>18,035,000</u>	<u>2,280,183</u>
	<u>\$ 70,078,295</u>	<u>\$ 15,370,061</u>	<u>\$ 3,662,668</u>	<u>\$ 81,785,688</u>	<u>\$ 11,004,978</u>

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

Operating Leases

The County is committed under various noncancelable operating leases, primarily for office buildings. Future minimum operating lease commitments are as follows:

<u>Year Ending June 30, 2002</u>		
2003		\$ 47,936
2004		<u>15,661</u>
Total		<u>\$ 63,597</u>

Capital Lease Obligations

The County has acquired various items of equipment, principally for data processing, reproduction and transportation, through several capital lease arrangements.

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2001</u>
Governmental Fund Activities:		
IBM Mainframe & Peripheral Computer equipment & programs for Treasurer – Tax Collector’s office	3.90%	\$ 602,726
Computer equipment for the Treasurer – Tax Collector’s office	5.15%	736,669
Airport hangar lease refinancing	4.40%	475,474
Civic Center lighting retrofit	5.00%	356,489
Lucent telephone system	4.50%	131,873
Ballot counting equipment	5.09%	1,962,117
		<u>714,993</u>
		<u>\$ 4,980,341</u>

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

Capital Lease Obligations (continued)

As of June 30, 2002, capital lease annual amortization are as follows:

<u>Year Ending June 30, 2002</u>	<u>Governmental Activities</u>
2003	\$ 1,746,144
2004	973,384
2005	973,386
2006	702,112
2007	569,884
2008-2012	<u>756,479</u>
Total Debt Service Requirements	5,721,387
Less Amount Representing Interest	<u>741,045</u>
Present Value of Remaining Payments	<u>\$ 4,980,342</u>

Bonds and Loan Payable

The following is a summary of bond transactions of the County for the year ended June 30, 2002:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</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	\$ 55,000	\$ --	\$ 55,000	\$ --
1998 Refunding Revenue bonds bear interest rates of 4.30% to 5.55%. Annual maturities vary from year to year until 2025	12,955,000	--	120,000	12,835,000
Non-interest bearing loan from Agency funds to Marin County Redevelopment Agency	<u>64,795</u>	<u>--</u>	<u>--</u>	<u>64,795</u>
Total bonds and loans payable	<u>\$ 13,074,795</u>	<u>\$ --</u>	<u>\$ 175,000</u>	<u>\$ 12,899,795</u>

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

Certificates of Participation

Long-term liabilities at June 30, 2002 consisted of the following:

<u>Type of Indebtedness (purpose)</u>	<u>Maturity</u>	<u>Rates</u>	<u>Installments</u>	<u>Amount</u>	<u>June 30, 2002</u>
Governmental Activities					
Certificate of Participation:					
2002 Capital Improvement	1/15/02-1/15/32	4.7-7.0%	\$215,000-\$880,000	\$14,100,000	\$ 14,100,000
1998 Series A	8/199-8/1/22	4-5%	\$585,000-\$1,645,000	24,725,000	22,895,000
1998 Series B	8/1/98-8/1/11	4-5%	\$1,130,000-\$1,590,000	<u>22,110,000</u>	<u>18,035,000</u>
Total Certificates of Participation				<u>\$60,935,000</u>	<u>\$ 55,030,000</u>

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.

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2003	\$ 2,215,000	\$ 2,466,059
2004	2,515,000	2,368,234
2005	2,625,000	2,258,759
2006	2,735,000	2,143,189
2007	2,855,000	2,021,199
2008-2012	16,240,000	8,043,215
2013-2017	7,510,000	5,356,509
2018-2022	9,560,000	3,316,388
2023-2027	4,780,000	1,373,953
2028-2032	<u>3,995,000</u>	<u>492,694</u>
Total	<u>\$ 55,030,000</u>	<u>\$ 29,840,197</u>

COUNTY OF MARIN

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 9: **Net Assets/Fund Balances** (continued)

Fund Balances (continued)

The County has “reserved” fund balances as follows:

- *Reserve for Encumbrances* was created to represent encumbrances outstanding at the end of the year based on purchase order and contracts signed by the County but not yet completed as of the close of the fiscal year.
- *Reserve for Advances to other funds* represents a portion of the fund balance that is not available for expenditure because it is available for certain Community Services Districts for local capital projects.
- *Reserve for Inventories* represents a portion of the fund balance that is not available for expenditure because the County expects to use these resources within the next budgetary period.
- *Reserve for Self-Insurance* represents a portion of the fund balance that is not available for expenditure because the County sets aside these funds to provide for possible losses not covered by insurance policies.
- *Reserve for Special Programs* represents trust funds that are reclassified for purposes of GASB 34 presentation to special revenue and governmental funds.
- *Reserve for Tax Losses* represents a portion of the fund balance that is not available for expenditure because these funds must be available to offset potential losses on property tax accounts (Teeter Plan).
- *Designations of Unreserved Fund Balance* are created to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or service of debt. Such plans or intent are subject to change and might never be legally authorized or result in expenditures.

Implementation of GASB Statements No. 33 and No. 36

The beginning fund equity of the General Fund and other nonmajor governmental funds has been restated to reflect the cumulative effect of the implementation of GASB Statements No. 33 and 36.

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 9: **Net Assets/Fund Balances** (continued)

Fund Reclassifications

Agency Funds – During the current year, the County evaluated its agency funds and moved funds that did not meet the definition of an agency fund under GASB Statement No. 34 to the major and nonmajor governmental funds.

Other Restatements

Restatement of Equity

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Fair Enterprise Fund
Fund balance/net assets, June 30, 2001, as previously reported	\$ 56,463,940	\$ 14,643,809	\$ 21,818,900	\$ 494,360
Restatements:				
Capital asset reclassification	--	--	--	3,665,661
Fund Reclassifications:				
Agency funds	41,725,029	14,518,193	3,178,838	--
Other*	538,186	--	--	--
	<u>\$ 98,727,155</u>	<u>\$ 29,162,002</u>	<u>\$ 24,997,738</u>	<u>\$ 4,160,021</u>

* Adjustments to prior year revenue and expense accruals

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, 2002 was \$129,662,100. Contributions are made by both the County and the employees. In addition to the County's retirement plan, the Employees'

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

Plan Description (continued)

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.

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, 2001.

- 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, 2002, the County’s annual pension cost was \$18,723,000 and the County contributed \$18,723,000.

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>
2002	\$ 18,723	100.0%	\$ --
2001	15,576	100.0%	--
2000	15,768	100.0%	--

COUNTY OF MARIN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 11: **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.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MARIN

Schedule of Funding Progress
For the Year Ended June 30, 2002

Funded Status of Plan (in thousands)

Valuation Date (Most Recent Data Available) <u>June 30,</u>	Actuarial Value of <u>Plan Assets</u>	Actuarial Accrued <u>Liability</u>	Unfunded Accrued Actuarial <u>Liability (UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
2002	\$ 711,789	\$ 798,404	\$ 86,615	89%	\$ 136,974	63.2%
2001	690,320	701,223	10,903	98%	122,253	8.9%
2000	634,412	644,262	9,850	98%	114,700	9%

COUNTY OF MARIN

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 55,965,463	\$ 55,965,463	\$ 56,463,940	\$ 498,477
Resources (inflows):				
Taxes	74,561,030	77,498,071	79,271,896	1,773,825
Licenses and permits	6,561,253	6,391,218	7,672,016	1,280,798
Intergovernmental revenues	135,208,569	157,565,133	209,956,964	52,391,831
Charges for services	11,234,679	12,308,798	13,300,190	991,392
Fines and forfeits	4,411,545	4,377,545	7,151,954	2,774,409
From use of money and property	7,304,519	5,745,964	7,554,072	1,808,108
Miscellaneous	27,426,437	30,597,249	55,220,735	24,623,486
Other financing sources	--	--	2,534,982	2,534,982
Amounts available for appropriation	<u>266,708,032</u>	<u>294,483,978</u>	<u>382,662,809</u>	<u>88,178,831</u>
Charges to appropriations (outflows):				
Current:				
General government	78,050,786	83,466,623	69,941,182	13,525,441
Public protection	87,215,816	97,273,729	112,504,435	(15,230,706)
Public ways and facilities	584,658	486,375	8,964,260	(8,477,885)
Health and sanitation	66,953,394	70,371,331	96,383,914	(26,012,583)
Public assistance	45,065,428	53,546,922	74,601,688	(21,054,766)
Culture and recreation	6,196,216	6,667,466	6,426,283	241,183
Contingencies reserves	25,000	--	--	--
Other financing uses	--	--	12,447,205	12,447,205
Total charges to appropriations	<u>284,091,298</u>	<u>311,812,446</u>	<u>381,268,967</u>	<u>(44,562,111)</u>
Budgetary fund balances, June 30	<u>\$ 38,582,197</u>	<u>\$ 38,636,995</u>	<u>\$ 57,857,782</u>	<u>\$ 133,239,419</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement				\$ 382,662,809
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.				<u>(2,534,982)</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 380,127,827</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 381,268,967
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.				(12,447,205)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 368,821,762</u>

COUNTY OF MARIN

**Budgetary Comparison Statement
Capital Projects
For the Year Ended June 30, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 14,673,507	\$ 14,673,507	\$ 14,643,809	\$ (29,698)
Resources (inflows):				
Intergovernmental revenues	164,499	648,303	2,053,694	1,405,391
Fines and forfeits	1,120,000	1,000,000	920,408	(79,592)
From use of money and property	323,343	109,388	768,591	659,203
Miscellaneous	55,876	862,575	271,840	(590,735)
Other financing sources	--	--	25,547,205	25,547,205
Amounts available for appropriation	<u>1,663,718</u>	<u>2,620,266</u>	<u>29,561,738</u>	<u>26,941,472</u>
Charges to appropriations (outflows):				
General government	--	--	323,385	(323,385)
Capital outlay	10,140,564	28,494,917	24,488,097	4,006,820
Debt Service:				
Principal	--	--	2,135,000	(2,135,000)
Interest	--	--	1,873,732	(1,873,732)
Other financing uses	--	--	2,700,610	2,700,610
Total charges to appropriations	<u>10,140,564</u>	<u>28,494,917</u>	<u>31,520,824</u>	<u>2,375,313</u>
Budgetary fund balances, June 30	<u>\$ 6,196,661</u>	<u>\$ (11,201,144)</u>	<u>\$ 12,684,723</u>	<u>\$ 24,536,461</u>

Note: Schedule does not include RDA - Capital Project fund

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement \$ 29,561,738

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. (25,547,205)

Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 4,014,533

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 31,520,824

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. (2,700,610)

Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 28,820,214

COUNTY OF MARIN

Note to Required Supplementary Information For the Fiscal Year Ended June 30, 2002

BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

The amounts reported in the budgetary basis differ from the basis used to present the basic financial statements in accordance with generally accepted accounting principles (GAAP). Annual budgets are prepared on the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures. Variances between final budget and actual amounts in the budgetary comparison schedules result mainly from revenues and expenditures in trust funds that are not budgeted, but are reflected in actual amounts.

Bartig, Basler & Ray

A Professional Corporation

Certified Public Accountants and Management Consultants

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

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, 2002. 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.

August 26, 2002

Bartig, Basler & Ray, CPAs, Inc.

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

COUNTY OF MARIN

Appropriations Limit Worksheet
For the Year Ended June 30, 2002

Gann Limit for the fiscal year ended June 30, 2001		\$ 98,627,972
Per capita personal income factor	1.07820	
Population change factor	<u>1.02109</u>	X
Gann Limit increase factor		<u>1.100939238</u> X
Gann Limit June 30, 2002		<u>\$ 108,583,404</u>

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

COUNTY OF MARIN

Appropriations Limit Worksheet For the Year Ended June 30, 2002

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, 2001. The per capita personal income factor for fiscal year 2000-2001 used in the calculation of the 2000-01 Gann Limit was 7.82. This factor is converted to a ratio and for calculation purposes was 1.0782.

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 contiguous county method (3). Per the May 1, 2001 letter from the State Department of Finance, the incorporated area population change percentage was 2.109. This percentage change was converted to the ratio factor of 1.02109.

Note 3: **Appropriation Limit**

The County has calculated the proceeds of tax for the year ended June 30, 2002 as \$79,593,504. Therefore, the proceeds of tax is \$28,989,900 less than the appropriations limit. The proceeds of tax is 73% of the limit.