

COUNTY OF MONO
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

COUNTY OF MONO
AUDIT REPORT

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INTRODUCTORY SECTION



**DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER
COUNTY OF MONO**

P.O. BOX 556, BRIDGEPORT, CALIFORNIA 93517
(760) 932-5490 • FAX (760) 932-5491

*Brian Muir
Finance Director*

*Roberta Reed
Assistant Finance Director
Auditor-Controller*

*Stacey Westerlund
Payroll Manager*

Honorable Board of Supervisors
County of Mono
Bridgeport, California 93517

Members of the Board:

The Comprehensive Annual Financial Report of the County of Mono for the fiscal year ended June 30, 2008, is hereby submitted in accordance with Section 25253 of the Government Code. We believe the data, as presented, is accurate in all material aspects and this report presents fairly the financial position and results of operations of the County's various funds. It also includes necessary and appropriate disclosures and supplementary data to enable the reader to fully understand the overall County financial position.

ACCOUNTING AND BUDGETARY POLICIES

The County maintains accounting controls, which comprise the plan of organization, all methods and procedures designed to safeguard assets, and the reliability of financial records for financial statement presentation. These controls include the system of authorization and approval, separation of duties, physical control and custody over assets.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

The safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

The cost of a control should not exceed the benefits likely to be delivered; and

The evaluation of costs and benefits requires estimates and judgments of management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In accordance with provisions of Section 29000 and 29143 inclusive, of the Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and adopts a budget for each fiscal year. Budgetary control for expenditures is maintained at the object level for all budgetary units except for fixed assets, which are controlled on the fund level. The expenditure side of the budget is enacted into law through the passage of an appropriation resolution. This resolution constitutes the maximum authorization to spend during the fiscal year and cannot be exceeded except by subsequent amendment of the budget by the Board of Supervisors. Unexpended appropriations at the end of the fiscal year lapse.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all the funds and account groups for which the County's Board of Supervisors has oversight responsibility. This oversight responsibility includes, but is not limited to, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The County provides a full range of local government functions that includes Public Protection, Public Ways and Facilities, Health and Sanitation, Social Services, Education, Culture and Recreation, and General Services.

GENERAL GOVERNMENT FUNCTIONS

Revenues from all Governmental fund type sources totaled \$51,714,565 in 2007-08, an increase of 13.34 percent from 2006-07. The amount of variance from the prior fiscal year is shown in the following tabulation. For fiscal year 2007-08 this variance is less than last year due to the slow down in development and growth in Mono County.

Sources: FY 2007-08	Amount	Percent of Total	Increase (Decrease) from FY 2006-07
Taxes and assessments	24,321,646	47.03%	3,571,881
Licenses and permits	474,010	0.92%	(283,214)
Fines, forfeitures and penalties	1,220,771	2.36%	322,080
Use of money and property	653,598	1.26%	(334,029)
Intergovernmental	20,395,207	39.44%	3,865,355
Charges for current services	4,129,702	7.99%	(754,526)
Other revenue	519,631	1.00%	(300,843)
TOTAL	51,714,565	100.00%	6,086,704

Expenditures for all Governmental fund type functions totaled \$48,296,775 an increase of 10.59 percent over 2006-07. The amount of variance from the prior fiscal year is shown in the following tabulation. The highest single increase is in Public Protection. This can be accounted for by the addition of new positions in various departments included in Public Protection and being fully staffed for the entire year as well as new grant revenues hence expenditures.

Sources: FY 2007-08	Amount	Percent of Total	Increase (Decrease) from FY 2005-06
General Government	9,068,771	18.78%	(839,522)
Public Protection	15,896,345	32.91%	3,388,446
Public Ways and Facilities	6,710,723	13.89%	1,034,139
Health and Sanitation	9,207,028	19.06%	1,745,401
Public Assistance	4,100,128	8.49%	(2,190,548)
Education	33,072	0.07%	5,744
Recreation and Culture	1,125,991	2.33%	303,858
Capital Outlay	2,154,717	4.46%	1,175,480
TOTAL	48,296,775	100.00%	4,622,998

At June 30, 2008, the Governmental fund types unreserved fund balance of \$15,018,361 was composed of the following:

General Fund	\$12,558,591
Road Fund	(313,879)
Special Revenue	(582,818)
Other Governmental	3,356,467

While not reserved by law, Board of Supervisor policy designated reserves for future liabilities for retirees and mandatory employer costs. In this fiscal year, these funds were removed from the treasury and placed in trust with a fiscal agent for this purpose. Not included in these Governmental Fund type balances, is \$41,334,934 of capital assets reported in governmental funds; and long-term liabilities, such as capital leases and compensated absences, not included in governmental fund types reflect \$(1,341,882) and \$(3,126,475), respectively, thus making the net assets \$56,652,197 for governmental activities.

CASH MANAGEMENT

Cash temporarily idle during the fiscal year was invested with the County Treasury pooled cash. This investment is composed of deposits and investments allowed by California Government Code and the Mono County investment policy. This pooled cash concept allows the various funds within the County Treasury to earn interest based on their average daily cash balance. The County, pursuant to the adopted investment policy, invested in United States Government Agency Obligations, Corporate Bonds and the State Local Agency Investment Fund (LAIF).

CAPITAL ASSETS RELATED TO GOVERNMENTAL ACTIVITIES

The capital assets related to governmental activities of the County are those fixed assets used in the performance of its general government functions. As of June 30, 2008, the amount in the general fixed asset account group of the County was \$43,995,882. This amount represents the book value of the assets. Of this amount, \$5,589,952 is non-depreciable.

INDEPENDENT AUDIT

Section 25250 of the Government Code requires the County to annually have made by an independent Certified Public Accountant, a careful and complete audit of the accounts and records of all offices of the County. This requirement has been complied with and the independent auditor's opinion has been included in this report.

PROSPECTS FOR THE FUTURE

Mono County, along with most California counties, continues to fight the "budget battle" with slower growing revenues failing to keep up with increasing costs of providing services. The County has not yet realized all revenues associated with development and growth, but the demand for services is already present and the increased costs reflect that demand.

Respectfully submitted this 9th day of January, 2009,



BRIAN MUIR
DIRECTOR OF FINANCE
AUDITOR-CONTROLLER
COUNTY OF MONO

COUNTY OF MONO
DIRECTORY OF PUBLIC OFFICIALS
JUNE 30, 2008

DEPARTMENT	DEPARTMENT OFFICIAL
Assessor	Jody Henning
Board of Supervisors	
District #1	Tom Farnetti
District #2	Duane "Hap" Hazard
District #3	Vikki Magee-Bauer, Chairman
District #4	William Reid, Vice-Chairman
District #5	Byng Hunt
Clerk-Recorder	Lynda Roberts
County Counsel	Marshall Rudolph
County Administrative Officer	David Wilbrecht
District Attorney	George Booth
Finance Director	Brian Muir
Health and Human Services Director	Tom Wallace
Health Officer	Richard Johnson, MD
Combined Court	Edward Forstenzer
Mental Health	Ann Gimpel
Probation	Beverlee Bryant
Public Health Director	Lynda Salcido
Public Works	Evan Nikirk
Sheriff-Coroner	Richard Scholl
Superintendent of Schools	Catherine Hiatt
Social Services	Edward Zylman

FINANCIAL SECTION



BARTIG, BASLER & RAY, LLP

A GALLINA LLP COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Board of Supervisors
County of Mono
Bridgeport, California

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 Mono, California, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Mono, California. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, 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 Mono, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated January 9, 2009, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Members of the Board of Supervisors
County of Mono
Bridgeport, California

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mono's basic financial statements. The accompanying information identified in the table of contents as introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company



Roseville, California
January 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

COUNTY OF MONO

Management Discussion and Analysis

In this section of the County of Mono (County) annual financial report, County management discusses financial results for the fiscal year ended June 30, 2008. It should be read in conjunction with the transmittal letter at the front of this report and the County's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The County's overall assets exceeded its liabilities at the close of the most recent fiscal year by \$56,264,036 (net assets). Of this amount, \$12,948,203 is unrestricted for governmental activities and may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,671,594 from the June 30, 2007, report. This increase is a result of a combination of factors, mainly the increase in property taxes. Overall assets, (less the capital assets) increase 17.70% while at the same time liabilities decreased 3.26%. These changes were primarily a result of increased tax revenues and the payment of debt.
- As of June 30, 2008, the County's governmental funds reported combined ending fund balances of \$20,716,779 an increase of \$3,251,733 in comparison with the prior year. This increase resulted not only from overall revenues exceeding overall expenditures, but from the consolidation of funds and increasing reserves.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$12,558,591, or 34.61% of total general fund expenditures.
- The County's total long-term obligations in the Solid Waste Program (Enterprise Activity) increased by \$89,253 during the current fiscal year. The key factor in this increase was the increased liability for closure/post closure costs, being offset by the repayment of notes payable and certificates of participation.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

A. New Financial Report Model

The County of Mono adopted a new financial reporting model in Fiscal Year 2002 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. The

COUNTY OF MONO

Management Discussion and Analysis

financial statements demonstrate Mono County accountability 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; 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 activity of the County includes the Mono County Solid Waste Program.

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 account for functions essentially alike 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 46 individual governmental funds in addition to numerous fiduciary funds (agency & investment trust). On the financial statements for governmental funds information is presented separately for three major funds: the General Fund, the Road Fund, and the Solid Waste Closure Fund. Data from the other governmental funds are aggregated into a single

COUNTY OF MONO

Management Discussion and Analysis

column. However, data for each of these non-major governmental funds is provided in the combining statements located in the Required Supplemental Information section of this report.

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 enterprise funds to account for its solid waste program. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for telephone services, fleet services, unemployment self-insurance, retirement, and dental/vision self-insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

Fiduciary funds account for resources held for the benefit of parties outside the county government such as special districts and schools. 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. 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.

E. Required Supplementary Information

In addition to the basic financial statements, this report presents Required Supplementary Information that includes budgetary comparisons for the General Fund and the major funds and combining statements for the aggregated non-major funds.

III. FINANCIAL ANALYSIS COUNTY-WIDE

This is the third year that the County has incorporated GASB Statement No. 34 into its financial records. The County made certain fund classification adjustments during this fiscal year. The result of these reclassifications lowered certain current assets. Prior year assets and liabilities are shown below for the purpose of providing comparative data on a countywide level. Comparison of the current year to the prior year will be slightly misleading as certain funds were removed from governmental funds to fiduciary funds. Most notable the trust for retirements and the