



County of Solano, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2002

William A. Eldridge
Auditor-Controller

County of Solano, California



Comprehensive Annual Financial Report

For the fiscal year ended

June 30, 2002

Prepared by:

Office of the Auditor-Controller

William A. Eldridge
Auditor-Controller

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Table of Contents

	Page
INTRODUCTORY SECTION:	
Letter of Transmittal	3
Organization Chart	9
List of Elected and Appointed Officials	10
 FINANCIAL SECTION:	
Independent Auditor’s Report	13
Management’s Discussion and Analysis (Required Supplementary Information)	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	29
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
Statement of Net Assets – Proprietary Funds	37
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	38
Statement of Cash Flows – Proprietary Funds	39
Statement of Fiduciary Net Assets – Fiduciary Funds	40
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	41
Notes to the Financial Statements	43
Required Supplementary Information:	
Schedules of Funding Progress – Historical Pension Data	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	78
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Major Special Revenue Funds:	
Health and Social Services	79
Public Safety	80
Tobacco Settlement	81
Notes to Required Supplementary Information	82

	Page
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Other Governmental Funds	86
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Other Governmental Funds	87
Combining Balance Sheet – Nonmajor Special Revenue Funds	90
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Nonmajor Special Revenue Funds	92
Schedules of Revenues, Expenditures, and	
Changes in Fund Balance - Budget and Actual –	
Nonmajor Special Revenue Funds:	
Library	94
Transportation	95
Children and Families First Commission	96
Homeacres Loan Program.....	97
Rural North Vacaville Water District	98
Micrographics and Modernization	99
Public Facilities Fees	100
Other Special Revenue Funds	101
Balance Sheet – Nonmajor Capital Projects Fund	103
Statement of Revenues, Expenditures and	
Changes in Fund Balances – Nonmajor Capital Projects Fund	104
Schedule of Revenues, Expenditures, and	
Changes in Fund Balance - Budget and Actual – Fairfield Downtown	
Project – Major Capital Projects Fund	105
Schedule of Revenues, Expenditures, and	
Changes in Fund Balance - Budget and Actual – Accumulated Capital	
Outlay – Nonmajor Capital Projects Fund	106
Combining Balance Sheet – Nonmajor Debt Service Funds	108
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Nonmajor Debt Service Funds	109
Schedules of Revenues, Expenditures, and Changes in Fund Balance –	
Budget and Actual – Nonmajor Debt Service Funds:	
Rural North Vacaville Water District	110
1998 Certificates of Participation	111
1999 Certificates of Participation	112
2001 Refunding Certificates of Participation	113
Other Debt Service Funds	114
Combining Statement of Net Assets – Internal Service Funds	116
Combining Statement of Revenues, Expenses, and	
Changes in Fund Net Assets – Internal Service Funds	118
Combining Statement of Cash Flows – Internal Service Funds	120

	Page
STATISTICAL SECTION (Unaudited):	
Government-wide information:	
Government-wide Expenses by Function	126
Government-wide Revenues	128
Fund information:	
General Governmental Expenditures by Function	130
General Governmental Revenues by Source	132
General Governmental Tax Revenues by Source	134
Other Information:	
Property Tax Levies and Collections	135
Assessed Value of Taxable Property	136
Property Tax Rates – Direct and Overlapping Governments	137
Principal Taxpayers	138
Special Assessment Billings and Collections	139
Computation of Legal Debt Margin	140
Computation of Direct and Overlapping Bonded Debt.....	141
Ratio of Annual Debt Service Expenditures for General Obligation	
Bonded Debt to Total General Governmental Expenditures.....	142
Demographic Statistics	143
Miscellaneous Statistics	148

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INTRODUCTORY SECTION

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SIMONA PADILLA-SCHOLTENS
ASSISTANT AUDITOR-CONTROLLER

PHYLLIS TAYNTON
CHIEF DEPUTY AUDITOR-CONTROLLER

December 4, 2002

To the Honorable Board of Supervisors and the Grand Jury, and the citizens of Solano County, California (the “County”):

General-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. We hereby issue the comprehensive annual financial report of the County for the fiscal year ended June 30, 2002.

This report consists of management’s representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County’s financial statements have been audited by Macias, Gini & Company LLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2002, are free of material misstatements. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County’s financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standard governing Single Audit engagement requires the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal

controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government:

General Information

The County lies in the northeast section of the nine-county San Francisco Bay Area. It is located approximately 45 miles northeast of San Francisco and 45 miles southwest of Sacramento. The County covers 823 square miles, a majority of which lies in the fertile Sacramento Valley. It is bordered by Napa County to the northwest, Yolo County to the northeast, Sacramento County to the east and Contra Costa County to the south. Between Solano and Contra Costa Counties lies Suisun Bay, which is an extension of the San Francisco Bay, and the confluence of the Sacramento and San Joaquin Rivers, which empty into San Pablo Bay through the Carquinez Straits. The western edge of Solano County consists of low mountains, which are part of the Coast Range.

Agriculture and military installations have historically been strong contributors to the County's economy. In recent years, the County has fostered economic growth and diversification by encouraging industrial, manufacturing and biotechnology development. The availability of land and the relatively low cost of housing, as well as job opportunities, have encouraged additional economic development in the County.

County Government

The County was incorporated in 1850 as one of California's original 27 counties in the State of California (the "State"). Two of the County's seven cities, Benicia and Vallejo, served as the State's Capital in the early 1850's. The County serves seven jurisdictions: Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville and Vallejo in addition to the unincorporated areas. The City of Fairfield is the County seat. The County has a general law form of government. Its five-member Board of Supervisors (the "Board") is elected by district for four-year terms of office. The Supervisors' terms are staggered -- two Supervisors are elected in one general election, and three Supervisors in the next. District boundaries are adjusted after every federal census to equalize district population as closely as possible. Other elected officials include the Assessor-Recorder, Auditor-Controller, District Attorney, Sheriff-Coroner-Public Administrator and Treasurer-Tax Collector-County Clerk. The County Administrator and County Counsel are appointed by the Board of Supervisors.

As the governing body for the County, the Board is responsible for the planning and providing services related to public needs, as required by state and federal law including: adopting of the annual budget, adopting county ordinances, setting policies, confirming appointments of most non-elected officials, and assisting citizens in solving problems and addressing local concerns.

County Services

As the only countywide general-purpose local government, we are in a unique position to facilitate and coordinate the work of cities, school districts, special districts and other organizations. In addition, the County is specifically charged by the State with providing services to those most at risk: children, the elderly, the poor, those with health problems and those involved in the criminal justice system.

Counties have dual responsibilities. We provide “unincorporated area” services (e.g., land use planning) in the areas of the County that are not in cities. We also provide certain “countywide” services to County residents regardless of where they live. These services generally focus on the most disadvantaged members of the community (e.g., health clinics), or criminals after they have been arrested or supporting other local governments (e.g., property tax collection).

The following is a list of countywide services provided by the County:

- Environmental Health
- Agricultural Commissioner
- Weights and Measures
- Airport
- Indigent Medical Services
- Public and Mental Health Services
- Child Protection and Social Services
- Emergency Medical Services
- Public Assistance/Welfare to Work
- Vital Statistics and Document Recording
- Family Support Collection
- Tax Assessment and Collection
- Elections and Voter Registration
- Regional Parks
- Jails and Juvenile Facilities
- Probation Supervision
- Landfills and Solid Waste Disposal
- Public Defender/Alternative Defense
- Coroner and Forensic Services
- Grand Jury
- Criminal Prosecution (District Attorney)

Factors Affecting Financial Condition:

Budgetary Information

The annual budget serves as the foundation for the County’s financial planning and control. All agencies of the County are required to submit budget requests for appropriation to the County Administrator for review. The County Administrator recommends a proposed budget to the Board for consideration and approval. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by September 30th of each year.

The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g., Sheriff). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. These schedules, which are part of the required supplementary information section of this report, start on page 75.

Population and Local Economy

The County's population as of January 2002 is approximately 405,800. The County's population based on the 2000 census was 394,542, a 16% increase from the 1990 Census of 339,800. The rate of growth was higher than that of the State for the same period. A key element of Solano County's rapid growth has been migration into the County; in-migration has accounted for most of the County's growth since 1980. About 72% of the County's population increase has occurred within its three largest cities: Vallejo, Fairfield and Vacaville. The other cities in the County also showed population increases over this ten-year period.

The County's seven cities are long-established communities. Relatively low costs for land and housing, proximity to major population and recreation centers, and job opportunities continue to make Solano County an attractive place to live. The County is home to a significant number of biotech companies. The County believes that it is well suited to attract this type of business because of its proximity to UC Davis, UC Berkeley and major research and medical centers, and Solano Community College's Biotechnology Production Technician Training Program.

Long-term financial planning

Contained within the County's tax code area are numerous municipalities, school districts and special purpose districts providing public services. These entities have outstanding bonds issued in the form of general obligation bonds. Direct debt constitutes debt directly issued by the County while overlapping debt constitutes that portion of the debt issued by different public entities within the same tax code area as the County's. The County is not responsible for the overlapping debt of the other local agencies. The County has \$52,475,000 in direct debt outstanding as of June 30, 2002.

The County Administration Center (CAC) and adjacent parking structure is a proposed project consisting of a six-story administration facility of approximately 300,000 gross square feet with shell, core and interior improvements including the coordination of the installation of fixtures, furniture and equipment. The CAC will consolidate administrative and office functions of approximately 18 County departments/divisions with shared common areas and building support spaces in a centralized facility. At occupancy the building will house more than 800 County employees.

The proposed project also includes a new Probation Building of approximately 43,000 gross square feet south of Delaware Street, a parking structure for approximately 1,000 vehicles, demolition of small miscellaneous structures, a public plaza, all utilities, site work, and landscaping. The project is located between Texas and Delaware Streets, and Union and Jefferson Streets in downtown Fairfield, California, and is adjacent to the County Courthouse and County Justice Center Complex.

To finance the proposed projects, the County will issue approximately \$120,000,000 of Certificates of Participation. This issuance is scheduled for November 2002. Further information regarding this issuance can be obtained through the County Administrator's Office at 580 Texas St., Fairfield, CA 94533.

Cash money policies and practices

The County maintains an Investment Pool managed by the Treasurer-Tax Collector-County Clerk, which acts as a depository for over eighty units of local government including funds of the County school districts, special districts and other entities. Not included in the Investment Pool are some school district Tax and Revenue Anticipation Note proceeds, which are managed by the Treasurer-Tax Collector-County Clerk separately from the Investment Pool.

The County has also formed a Treasury Oversight Committee that consists of five members and two alternates. The committee reviews the Investment Policy, insures the Treasury activities are in compliance with the Investment Policy, insures that an annual audit of the Investment Policy is conducted, and reviews the internal auditor's quarterly audits of the Investment Pool. The committee meets semiannually and is composed of the County's budget officer, superintendent of schools, director of business finance, two members of the public and one business director from a school district.

The objectives of the pool are to meet the cash requirements of the pool participants, invest the funds in a safe, legal and prudent manner and achieve a money market rate of return. To achieve this objective the Treasurer-Tax Collector-County Clerk maintains a one-year countywide cash flow projection. This projection is reviewed and updated monthly in consultation with the pool participants and the County Auditor-Controller. Historically, the amounts and timing of each requirement have been predicted with high level of certainty. The pool is managed in a prudent manner by always maintaining a high level of liquidity. The pooled funds are invested in accordance with the County's Investment Policy and the State of California Government Code.

Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, commercial paper, and the State Treasurer's investment pool. The maturities of the investments range from 30 days to 4 years, with an average maturity of 12 months. Interest rates on investments were between 2.409 and 7.050% for the government. Investment income includes appreciation in the fair value of its investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; it is always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for excellence in Financial Reporting to a county for its comprehensive annual financial report (CAFR). This is the first CAFR prepared by the County. In order to be awarded a Certificate of Achievement, the County publishes an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for the award for excellence in financial reporting.

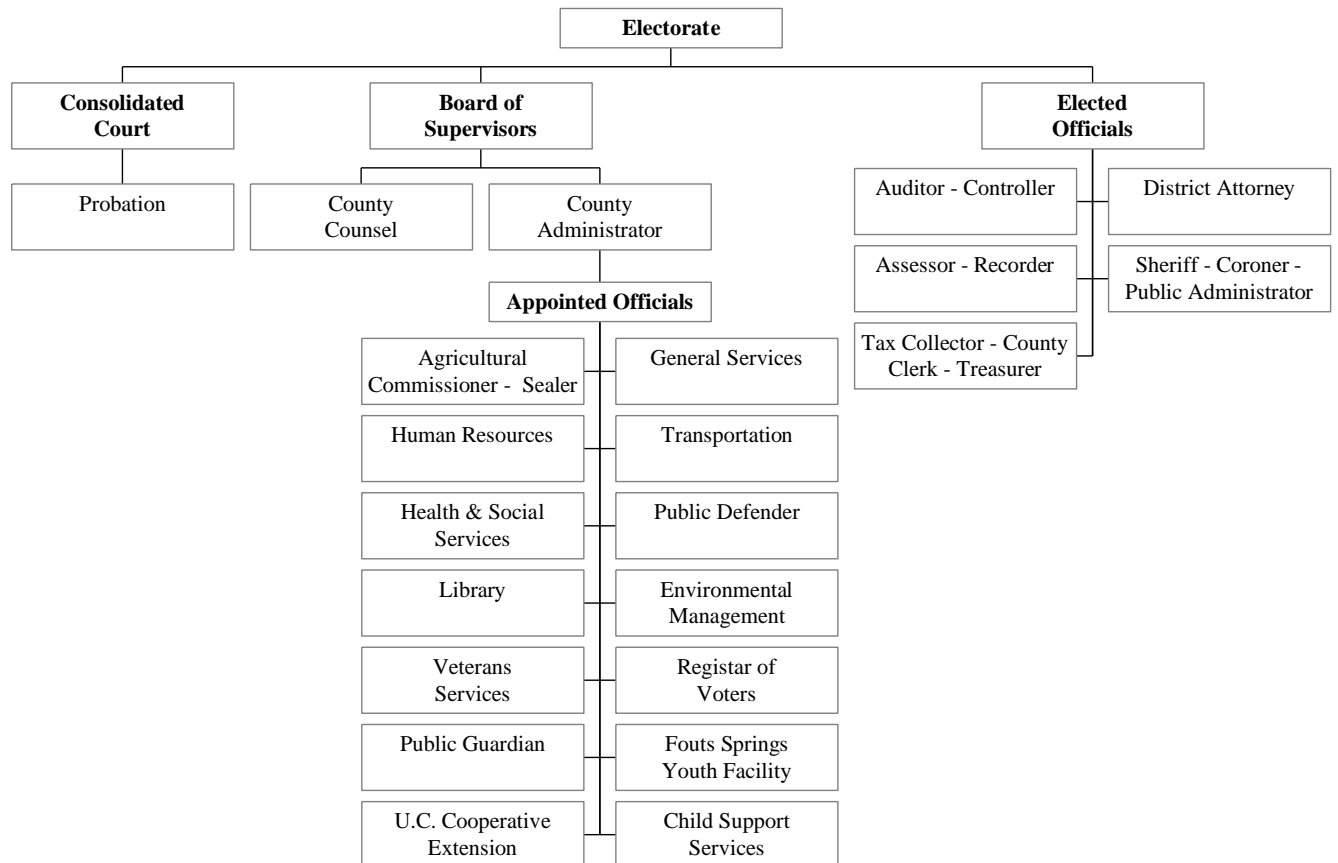
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff in the Auditor-Controller's Office. We would like to express our appreciation to the department for their outstanding support in the preparation of this report. We would like to specifically acknowledge the following individual contributions: Simona Padilla-Scholtens, Phyllis Taynton, Tony Manlicic and Linda Mann Juniel. Credit also must be given to the County Administrator and the Board of Supervisors for their support in maintaining the highest standards of professionalism in the management of the County's finances.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "William A. Eldridge".

William A. Eldridge,
Auditor-Controller

County of Solano, California Organizational Chart



Solano County, California
List of Elected and Appointed Officials

Elected Officials

Auditor-Controller	William A. Eldridge
Assessor-Recorder	Robert Blechschmidt
Treasurer-Tax Collector-County Clerk	Charles Lomeli
District Attorney	David Paulson
Sheriff-Coroner-Public Administrator	Gary Stanton

Appointed Officials

Ag Commissioner-Sealer of Weights & Measures	Susan Cohen
Chief Information Officer (CIO)	Ken Phillips
Child Support Services	Dennis Covell
Consolidated Courts, Executive Officer	Charles Ramey
Cooperative Extension	Lawrence Clement
County Administrator	Michael Johnson
County Counsel	Dennis Bunting
Environmental Management	Birgitta Corsello
Fouts Springs Youth Facility	Brian L. Cooley
General Services	Jim Werdell
Health & Social Services	Patrick Duterte
Human Resources-Risk Management	Yolanda Irigon
Library	Ann Cousineau
Probation	Gemma Grossi
Public Defender-Conflict Public Defender	Marvin Brookner
Public Guardian-Conservator	Gail Lamkins
Registrar of Voters	Laura Winslow
Transportation	Charlie A. Jones, Jr.
Veteran Services	William Reardon
Workforce Investment Board (WIB)	Robert L. Bloom



FINANCIAL SECTION



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The Honorable Board of Supervisors and the
Grand Jury of the County of Solano, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the County of Solano, California (County), 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 financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the County of Solano, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The 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 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.

The management's discussion and analysis and schedule of funding progress and budgetary comparison information on pages 15 through 25 and pages 77 through 82, respectively, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Macias, Meri & Company LLP
Certified Public Accountants

Sacramento, California
November 6, 2002

Offices located throughout California

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PHYLLIS TAYNTON
CHIEF DEPUTY AUDITOR-CONTROLLER

Management's Discussion and Analysis

As management of the County of Solano, California, (County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$383,879,790 (net assets). Of this amount, \$105,425,271 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$34,548,061 as a result of the current year's operations.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$127,427,332, an increase of \$3,856,179 as a result of the current year's operations. Approximately 57% of this total amount, \$72,082,980, is available for spending at the government's discretion (unreserved fund balance) and 43% of this amount, \$55,344,352 is reserved.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$21,685,285 or 41% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave). Both of 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 include the Nut Tree Airport, Solano County Fair and the Fouts Springs Youth Facility.

The government-wide financial statements include not only the County itself (known as the primary government), but also the legally separate Workforce Investment Board, known as the component unit for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Solano County Library Authority, Solano County Facilities Corporation, Solano County Building Corporation, Solano County Fair, Rural North Vacaville Water District and the East Vallejo Fire Protection District, although also legally separate, function for all practical purposes as departments of the County, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 29-31 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 79 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Health & Social Services-Special Revenue Fund, Public Safety-Special Revenue Fund, Fairfield Downtown Project-Capital Projects Fund, and Tobacco Settlement-Special Revenue Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The County adopts annual appropriated budgets for all of its governmental funds. Therefore, budgetary comparison schedules have been provided for each fund presented in this report. These statements demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 32-36 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. 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 the Nut Tree Airport, Solano County Fair, and the Fouts Springs Youth Facility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its Fleet Management, Communications, Risk Management, Solano County Integrated Property System, Reprographics, and Management Information Systems. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Nut Tree Airport, Solano County Fair and the Fouts Springs Youth Facility. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 37-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparison schedules for the General Fund and all major special revenue funds as well as the schedules of funding progress. Required supplementary information can be found on pages 77-82 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$383,879,790 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (69%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. 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.

Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
Current and other assets	\$ 187,319,476	\$ 196,582,942	\$ 3,012,671	\$ 3,228,375	\$ 190,332,167	\$ 199,811,317
Capital assets	307,101,795	280,219,197	13,933,671	12,341,362	321,035,466	292,560,559
Total assets	\$ 494,421,271	\$ 476,802,139	\$ 16,946,342	\$ 15,569,737	\$ 511,367,613	\$ 492,371,876
Current liabilities	\$ 45,171,833	\$ 60,079,161	\$ 698,602	\$ 455,741	\$ 45,870,435	\$ 60,534,902
Non-current liabilities	80,739,530	79,282,798	877,858	968,718	81,617,388	80,251,516
Total liabilities	125,911,363	139,361,959	1,576,460	1,424,459	127,487,823	140,786,418
Net assets:						
Invested in capital assets, net of related debt	250,850,720	214,606,249	13,436,909	11,723,477	264,287,629	226,329,726
Restricted net assets	14,166,890	47,267,051	-	-	14,166,890	47,267,051
Unrestricted net assets	103,492,298	75,566,880	1,932,973	2,421,801	105,425,271	77,988,681
Total net assets	368,509,908	337,440,180	15,369,882	14,145,278	383,879,790	351,585,458
Total liabilities and net assets	\$ 494,421,271	\$ 476,802,139	\$ 16,946,342	\$ 15,569,737	\$ 511,367,613	\$ 492,371,876

An additional portion of the County's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities.

Changes in program revenues and program expenditures remain consistent with the prior year. Program revenues have out paced the increase in program expenses. Program revenues funded 81% of the program expenses consistent with the prior year 80%. At the same time, general revenues such as property taxes and intergovernmental revenues continue to increase due to increasing property values, additional special assessments, and vehicle license fees. Ongoing program and general revenues continue to outpace similar increases in ongoing expenses.

The following table demonstrates the changes in net assets for governmental and business-type activities:

Statement of Activities
For the fiscal year ended June 30, 2002

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
Revenues:						
Program revenues:						
Charges for services	\$ 64,910,168	\$ 57,559,295	\$ 9,588,305	\$ 8,708,300	\$ 74,498,473	\$ 66,267,595
Operating grants and contributions	243,832,179	218,335,048	-	386,728	243,832,179	218,721,776
Capital grants and contributions	-	718,400	979,600	2,477,523	979,600	3,195,923
General revenues:						
Property taxes	48,969,454	42,048,625	153,882	141,847	49,123,336	42,190,472
Other taxes	3,913,312	7,412,200	-	-	3,913,312	7,412,200
Tobacco settlement proceeds	4,771,547	-	-	-	4,771,547	-
Intergovernmental	37,851,097	34,500,922	918,061	19,211	38,769,158	34,520,133
Interest and investment earnings	8,461,200	12,405,225	89,495	89,457	8,550,695	12,494,682
Other	5,328,913	12,022,778	32,381	29,532	5,361,294	12,052,310
Gain on sale of capital assets	-	89,878	-	-	-	89,878
Total Revenues	<u>418,037,870</u>	<u>385,092,371</u>	<u>11,761,724</u>	<u>11,852,598</u>	<u>429,799,594</u>	<u>396,944,969</u>
Expenses:						
General government	41,910,911	33,337,370	-	-	41,910,911	33,337,370
Public protection	119,673,935	108,973,071	-	-	119,673,935	108,973,071
Public ways and facilities	7,076,867	16,042,372	-	-	7,076,867	16,042,372
Health and sanitation	80,209,568	65,002,848	-	-	80,209,568	65,002,848
Public assistance	118,808,521	110,286,059	-	-	118,808,521	110,286,059
Education and recreation	11,945,358	10,770,670	-	-	11,945,358	10,770,670
Interest on long-term debt	4,994,361	5,712,387	-	-	4,994,361	5,712,387
Nut Tree Airport	-	-	1,048,905	918,442	1,048,905	918,442
Solano County Fair	-	-	5,182,459	4,340,785	5,182,459	4,340,785
Fouts Springs Youth Facility	-	-	4,400,648	3,860,998	4,400,648	3,860,998
Total Expenses	<u>384,619,521</u>	<u>350,124,777</u>	<u>10,632,012</u>	<u>9,120,225</u>	<u>395,251,533</u>	<u>359,245,002</u>
Excess before transfers	33,418,349	34,967,594	1,129,712	2,732,373	34,548,061	37,699,967
Transfers	-	782,538	-	(782,538)	-	-
Change in net assets	33,418,349	35,750,132	1,129,712	1,949,835	34,548,061	37,699,967
Net assets – beginning, as restated	335,091,559	301,690,048	14,240,170	12,195,443	349,331,729	313,885,491
Net assets – ending	<u>\$ 368,509,908</u>	<u>\$ 337,440,180</u>	<u>\$ 15,369,882</u>	<u>\$ 14,145,278</u>	<u>\$ 383,879,790</u>	<u>\$ 351,585,458</u>

Key elements of the increase are as follows:

Governmental activities. Governmental activities increased the County's net assets by \$33,418,349 thereby accounting for 97% of the total growth in the net assets of the County. Total governmental revenues increased from the prior year by \$32,854,625. Total governmental expenses increased from the prior year by \$36,006,531.

The key elements of the significant changes are as follows:

Charges for services:

- A new special assessment tax of \$1,033,717 was collected to fund the Rural North Vacaville Water District's general services and debt service.
- The health and social services increase of \$3,087,586 in services provided to the public.
- The County general services increased by \$3,994,110 over the prior year due to an increase in revenues collected for services provided to the public.

Operating grants and contributions:

- Revenues collected from health and social services increased \$9,497,582 and public assistance programs increased \$8,883,393 as a result of providing more mandated services for State and federal agencies. In addition, revenues were collected on a number of grant-reimbursed services that were new in the current year.
- Measure B – Library tax was reclassified; as such, operating grants increased by \$3,683,674.

Property tax:

- The County recognized \$3,673,014 in tax loss reserve revenue.
- Property taxes increased by \$3,259,850 due to continued increase in building and property values.

General government:

- The County general government expenses increased by \$8,573,541 due to an overall increase in salaries due to an increase in Cost of Living Adjustments (COLAS) and increase in employee benefits cost over the prior year.

Public protection:

- Overall expenses for public protection (i.e., judicial services, police, detention and correction) increased by approximately \$8,000,000 due to public need and measures passed by the State and Federal government to fight terrorism. Also, the inmate population increased over the prior year.
- Salaries and benefits increased by approximately \$1,000,000 due to an increase in COLAS for the Sheriff, D.A. and Department of Child Support Services, Public Defender Conflict Defender, and Probation staff.

Public Ways and facilities:

- Expenses decreased as the number of projects declined. Several transportation projects were not approved by the Federal agency.
- The majority of construction and operational expenses for the Rural North Vacaville Water District water facility were incurred in the prior year.

Health and sanitation:

- Level of service increased over prior year to meet public demand and inflated costs. Also, there were some additional new services/grant projects (direct client contracts, mental health), which added to overall health expenses.
- Salaries and benefits increased by approximately \$1,500,000 due to an increase in employee benefits cost over the prior year in the Health and Social Services Department.

Public Assistance:

- Expenses related to the CalWORKS (assistance) program increased by approximately \$7,000,000 for Adult and Children's services, Eligibility services, Employment services and Assistance Administration increased since more services were provided in the current year to meet the need for public assistance. In addition, declining economic conditions also added to greater need for public assistance and welfare.

Business-type activities. Business-type activities increased the County's net assets by \$1,129,712, accounting for 3% of the total growth in the County's net assets. The key element of this increase was due to the increase of \$1,026,343 in institutional care services provided by the Fouts Springs Youth Facility.

Financial Analysis of the County's Funds

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

Governmental funds. The general government functions are accounted for in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds. 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 a government'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 \$127,427,332, an increase of, \$3,856,179, as a result of current year operations. 57% of this total amount, \$72,082,980, constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: a) to liquidate contracts and purchase orders of the prior period, \$10,126,475, b) to pay debt service, \$8,553,533, c) to reflect long-term receivables that do not represent available spendable resources, \$1,788,024, d) to pay for future capital projects for the County, \$2,126,343, e) general reserves, \$30,907,549, and f) other reserves, \$1,842,428.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$21,685,285, while total fund balance reached \$45,226,726. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 41% of total General Fund expenditures, while total fund balance represents 85% of that same amount.

The fund balance of the County's General Fund increased by \$13,201,006 during the current fiscal year. The increase is attributable to increases in secured property taxes, vehicle license fees, charges for services, redevelopment pass-through, and several one-time transactions, such as a one-time \$5,800,000 transfer from the Health & Social Services Fund, \$924,380 in proceeds from debt to fund energy conservation improvements in County buildings, and a \$2,000,000 decrease in utility costs.

The fund balance of the Health & Social Services Fund decreased by \$7,026,552 as a result of a one-time transfer to the General Fund for prior year over-contributions made by the General

Fund.

The fund balance of the Tobacco Settlement Fund increased by \$3,610,533. This increase is due primarily to the receipts from the Tobacco Settlement Agreement. Expenditures from this fund were limited to transfers during this fiscal year of \$1,649,704 for health services.

The fund balance of the Fairfield Downtown Project increased by \$3,117,869. This increase is primarily due to transfers from the Public Facilities Fee Fund of \$4,950,000 which is offset by \$2,725,050 for capital outlay expenditures.

Revenues for governmental functions totaled \$414,026,122 in fiscal year 2001-2002. This represents a 5.85% increase from fiscal year 2000-2001.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

**Revenues Classified by Source
Governmental Funds**

Revenues by Source	FY 2002		FY 2001		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 55,027,729	13.29%	\$ 49,503,902	12.65%	\$ 5,523,827	24.14%
Licenses, permits and franchise	4,425,099	1.07%	3,705,314	0.95%	719,785	3.15%
Fines, forfeitures and penalties	4,586,822	1.11%	4,236,423	1.09%	350,399	1.53%
Revenue from use of money	8,707,718	2.10%	14,298,160	3.66%	(5,590,442)	(24.43%)
Intergovernmental revenues	273,809,145	66.13%	259,590,608	66.36%	14,218,537	62.13%
Charges for services	53,404,452	12.90%	50,374,834	12.87%	3,029,618	13.24%
Miscellaneous revenues	14,065,157	3.40%	9,431,653	2.42%	4,633,504	20.25%
Total	<u>\$ 414,026,122</u>	<u>100.00%</u>	<u>\$ 391,140,894</u>	<u>100.00%</u>	<u>\$ 22,885,228</u>	<u>5.85%</u>

The following provides an explanation of revenues by source that changed significantly over the prior year.

- Taxes – The increase of \$5,523,827 was primarily due to increases in assessed values and a new special assessment for the Rural North Vacaville Water District.
- Fines, forfeitures and penalties—The increase of \$719,785 was primarily due to a \$300,000 increase in franchise fees for Emergency Medical Services and from Pacific Gas & Electric Co., and a \$300,000 increase in food, solid waste and hazardous materials permit fees.
- Revenue from use of money and property—The decrease of \$5,590,442 was primarily caused by significantly lower cash balances, lower interest rates and less natural gas royalties than in the prior year.
- Intergovernmental revenues – The increase of \$14,218,537 was due to an increase of \$2,200,000 in the motor vehicle in-lieu collection; \$9,500,000 in welfare and health programs; \$1,000,000 redevelopment pass-thru; \$800,000 tobacco settlement; and \$700,000 in other miscellaneous programs.
- Miscellaneous revenue – The increase of \$4,633,504 was due primarily to a transfer of \$3,700,000 from the Tax Loss Reserve fund, an increase in General Services revenue of

\$257,000 for various small projects, and \$1,800,000 increase for Health & Social Services primarily due to a new pilot program with the County Medical Services Program Board.

The following table presents expenditures by function compared to prior year amounts.

**Expenditures by Function
Governmental Funds**

Expenditures by Function	FY 2002		FY 2001		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 39,392,941	9.32%	\$ 34,412,532	9.61%	\$ 4,980,409	14.47%
Public protection	117,626,458	27.83%	104,858,511	29.35%	12,767,947	12.18%
Public ways and facilities	5,883,609	1.39%	12,107,010	3.39%	(6,273,401)	(51.36%)
Health and sanitation	77,897,875	18.43%	64,297,492	18.00%	13,600,383	21.14%
Public assistance	118,637,287	28.07%	109,732,636	30.71%	8,904,651	8.11%
Education and recreation	11,728,628	2.78%	10,746,213	3.01%	982,415	9.14%
Advance refunding escrow	4,116,500	0.82%	-	0.00%	4,116,500	100.00%
Debt service – principal retirement	7,081,861	1.68%	5,452,183	1.53%	1,629,678	29.89%
Debt service – interest charges	4,930,092	1.32%	5,712,387	1.60%	(782,295)	(2.19%)
Capital outlay	35,290,048	8.35%	10,033,031	2.81%	25,257,017	251.74%
Total	<u>\$ 422,585,299</u>	<u>100.00%</u>	<u>\$ 357,351,995</u>	<u>100.00%</u>	<u>\$ 65,233,304</u>	<u>18.25%</u>

The following provides an explanation of the expenditures by function that changed significantly over the prior year.

- General government - Increase in almost all departments were due to Cost of Living Adjustments (COLA) and a full year of costs associated with the County’s cafeteria plan. In addition, the Registrar of Voters increased costs by \$655,000 due to increased election activity.
- Public protection - The increase was primarily due to salaries and benefits costs for all departments providing public safety services. The increase in costs reflects additional positions allocated, COLA, merit increases, and a full year’s cost for a cafeteria plan implemented during the prior fiscal year.
- Public ways and facilities - The significant decrease over prior year is a result of a \$5,800,000 adjustment to reclassify infrastructure expenditures to capital outlay expenditures.
- Health & sanitation - Increase is primarily due to COLA, a full year of costs associated with the County’s cafeteria plan, and an increase in contracted services direct to clients in Mental Health, Adult & Children’s Services and Employment Services. In addition, data processing costs increased due to two new major system implementations/upgrades within the Health & Social Services Department.
- Advance refunding escrow - Represents the current portion of the payoff of the 1993 Certificate of Participation through the issuance of the 2001 Refunding Certificates of Participation. There were no refundings in the prior year.

- Debt service - Represents principal retirement represents payment on County debt. The increase of \$1,629,678 was primarily due to an increase in the 1999 Certificates of Participation principal payment from \$410,000 to \$1,210,000, and the \$735,000 difference between the principal payment on the 1993 Certificates of Participation compared to the new payment on the 2001 Refunding Certificates of Participation.
- Capital outlay - Increase is attributable to an increase in capital projects activity in the current year. There was an increase of \$11,800,000 in the Accumulated Capital Outlay fund for the new Health & Social Services Administration Building; \$5,800,000 was spent on infrastructure; \$2,800,000 was spent for the water distribution system in the Rural North Vacaville Water District; \$2,750,000 was spent on the planning phase of the new Fairfield Downtown Project, and \$1,740,000 was spent by the Health & Social Services Department for equipment and modular furniture for the new Administration Building.

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

Unrestricted net assets of the Nut Tree Airport at the end of the year amounted to \$139,673, those for the Solano County Fair operation amounted to \$1,844,118, and the unrestricted net assets for the Fouts Springs Youth Facility was a negative \$50,818. The net assets for the Nut Tree Airport decreased by \$55,503, Solano County Fair increased by \$115,824, and the Fouts Springs Youth Facility increased by \$1,069,391.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget of the General Fund, including transfers, represents a decrease in appropriations of \$3,699,470 and can be briefly summarized as follows:

- \$7,304,663 in decreases to general government activities
- \$1,762,283 in increases to public protection activities
- \$1,851,860 in increases in operating transfers
- \$272,885 in increases to debt service activities
- \$281,835 in decreases to capital outlay

During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$321,035,466 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, roads, and bridges. The total increase in the County's investment in capital assets for the current fiscal year was 9.40%.

Major capital asset events during the current fiscal year included the following construction in progress increases for both governmental and business-type activities for the following projects:

- Health and Social Services Administration Building.
- Fouts Springs Youth Facility construction of dorm rooms and a multipurpose building.
- Rural North Vacaville Water District water facility construction.
- Belden’s Landing recreation facility.

	Governmental activities		Business-type activities		Total		Increase (Decrease) Percent of change
	2002	2001, as restated	2002	2001	2002	2001, as restated	
Land	\$ 7,936,801	\$ 7,833,914	\$ 2,760,371	\$ 2,760,371	\$ 10,697,172	\$ 10,594,285	0.97%
Infrastructure	213,218,825	209,845,007	-	-	213,218,825	209,845,007	1.61%
Construction in progress	32,731,820	6,154,210	3,709,545	2,457,531	36,441,365	8,611,741	322.91%
Buildings	130,210,725	131,435,380	14,970,877	15,518,045	145,181,602	146,953,425	(1.21%)
Machinery and equipment	31,042,830	27,169,992	969,926	1,129,506	32,012,756	28,299,498	13.15%
Less: accumulated depreciation	(108,039,206)	(101,342,245)	(8,477,048)	(9,524,091)	(116,516,254)	(110,866,336)	5.10%
Total	<u>\$ 307,101,795</u>	<u>\$ 281,096,258</u>	<u>\$ 13,933,671</u>	<u>\$ 12,341,362</u>	<u>\$ 321,035,466</u>	<u>\$ 293,442,620</u>	9.40%

Additional information on the County’s capital assets can be found in Note D on pages 60-61 of this report.

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding for its governmental and business-type activities as of June 30, 2002, of \$82,617,388, which is entirely backed by the full faith and credit of the County.

	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
Revenue bonds	\$ -	\$ 170,000	\$ -	\$ -	\$ -	\$ 170,000
Capital leases	681,824	537,871	59,097	69,391	740,921	607,262
Certificates of participation	51,921,079	59,454,861	-	-	51,921,079	59,454,861
Notes payable	15,222,425	7,034,007	437,665	560,012	15,660,090	7,594,019
Compensated absences	12,914,202	11,775,920	381,096	339,315	13,295,298	12,115,235
Total	<u>\$ 80,739,530</u>	<u>\$ 78,972,659</u>	<u>\$ 877,858</u>	<u>\$ 968,718</u>	<u>\$ 81,617,388</u>	<u>\$ 79,941,377</u>

The County’s total debt increased by \$1,676,011 (2.1%) during the current fiscal year.

The County maintains an “Aaa” rating from Moody’s and a “AAA” rating from Standard & Poor’s for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation.

Additional information on the County’s long-term debt can be found in Note I on pages 64-68 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 5.6%. This compares favorably to the state's average unemployment rate of 6.4%.
- A continuing trend of reductions in caseloads and public assistance costs. Overall, public assistance caseloads continue to decline.
- The growth in property tax revenues is projected to increase by 9% for fiscal year 2002-2003. Solano County continues to experience the pace of growth seen in other Bay Area Counties.
- Due to the uncertainties associated with the State's Budget for fiscal year 2002-2003 the County's budget does not include any additional funding beyond what is projected for growth in established revenue sources, i.e. realignment, vehicle license fees, Proposition 172, sales tax and vehicle in lieu.

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

During the current fiscal year, unreserved fund balance in the General Fund increased to \$21,685,285. The County decreased its general reserve by \$3,000,000; this total was appropriated for spending during the 2002-2003 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor-Controller's Office, 600 Texas Street, Fairfield, CA 94533.



BASIC FINANCIAL STATEMENTS

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**COUNTY OF SOLANO, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

Solano County (the County) is a political subdivision of the State of California (the State). An elected, five-member Board of Supervisors (the Board) governs the County. The County has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America (GAAP), which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The accompanying financial statements present information on the activities of the reporting entity, including all fund types of the County (the primary government) and its component unit.

GAAP requires that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the County's operations. Therefore, they are reported as part of the primary government. The primary government is financially accountable for these component units. Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the County. Each blended and discretely presented component unit has a June 30 fiscal year-end except for the Solano County Fair, which has a December 31 year-end.

Component units blended in the County's financial statements include the East Vallejo Fire Protection District, Rural North Vacaville Water District, Solano County Building Corporation, Solano County Facilities Corporation, Solano County Fair, and the Solano County Library Authority.

The East Vallejo Fire Protection District provides fire protection services to the citizens of the unincorporated area in Vallejo. The County's Board of Supervisors governs the fire protection district.

The Rural North Vacaville Water District provides domestic water and water for fire protection through a public distribution system, owned and operated by the District. The District's board consists exclusively of all five members of the County's Board of Supervisors.

The Solano County Building Corporation (SCBC) was established for the purpose of financing the construction of the Solano County Justice Facility and Public Building Improvement Project. The SCBC's board consists exclusively of all five members of the County's Board of Supervisors.

The Solano County Facilities Corporation (SCFC) was established for the purpose of providing financing for the acquisition and construction of property known as the Solano Park Hospital. The SCFC's board consists exclusively of all five members of the County's Board of Supervisors.

The Solano County Fair (Fair) is governed by a board of directors whose members are appointed by the County's Board of Supervisors. The Fair Association was formed solely to act as the

County's agent in operating the county fair; therefore, the Fair almost exclusively benefits the County.

The Solano County Library Authority (SCLA) was established under a joint powers agreement between the County and the cities of Fairfield and Suisun City. A five-member board of directors governs the SCLA. The members of the board are appointed by the councils of the cities and the County Board of Supervisors. The SCLA was formed solely to finance the construction of the Fairfield-Suisun Community Library and the Solano County Library Headquarters building. Lease payments made by the County are the SCLA's only source of revenue. As the related debt was a liability of the County, SCLA exclusively benefits the County.

The Workforce Investment Board (WIB) is a discretely presented component unit in the County's basic financial statements. WIB's primary responsibility is to involve the business community in employing and training economically disadvantaged and unemployed persons and to increase private sector employment opportunities for such persons. The WIB is fiscally dependent on the County because the WIB's budget is approved by the County's Board of Supervisors and the County is the primary recipient of the Workforce Investment Act (WIA) grant which represents a significant portion of the WIB's revenues.

Financial information for individual component units may be obtained at the County Auditor-Controller's Office.

The County Board of Supervisors is responsible for appointing the members of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations related to the County consist of the following special districts:

- The Cordelia Fire Protection District, Dixon Fire Protection District, Montezuma Fire Protection District, Ryer Fire Protection District, Suisun Fire Protection District and Vacaville Fire Protection District are fire protection districts that provide fire protection services to the citizens of the County. A five-member board appointed by the County Board of Supervisors governs each fire protection district, except for the Cordelia Fire Protection District, which has a board that is elected by the general public.
- The Rio Vista-Montezuma Cemetery District, Rockville Cemetery District, Silveyville Cemetery District, Suisun-Fairfield Cemetery District and Vacaville-Elmira Cemetery District. A five-member board appointed by the County Board of Supervisors governs each cemetery district.
- The Dixon Resource Conservation District, Suisun Resource Conservation District and Ulatis Resource Conservation District develop and administer various resource conservation programs within the County. The County Board of Supervisors appoints the governing board for each of these districts.

These special districts related to the County are accounted for as an External Investment Trust Fund for reporting purposes (see Fiduciary Funds Statements).

For its business-type activities and enterprise funds, the County has elected under Governmental Accounting Standards Board (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 FASB), 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.

B. Government-wide and Fund Financial Statements

The County's financial accounts are maintained in accordance with GAAP and the uniform accounting system for counties prescribed by the State Controller in compliance with the Government Code of the State of California.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. 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 and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The primary government includes certain indirect costs as part of the program expenses reported for the various functional activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are 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.

Property taxes, franchise taxes, licenses, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

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

The *Health and Social Services Fund* is used to account for services to County residents in the areas of health, mental health, substance abuse, social services, employment assistance and public assistance.

The *Public Safety Fund* is used to account for services to County residents in the areas of legal representation, substance abuse, crime prevention, public protection, and probation services.

The *Tobacco Settlement Fund* is used to account for revenues received from the Nationwide Tobacco Master Settlement Agreement (MSA) to address health related issues in the county.

The *Fairfield Downtown Project Fund* is used to account for the funding and construction activity for the new County administration complex in downtown Fairfield.

The government reports the following major enterprise funds:

The *Nut Tree Airport* (Airport) accounts for the operating activities and aviation services for commercial and recreational uses.

The *Solano County Fair* (Fair) accounts for the operating activities of the annual county fair, satellite horse wagering, and other interim events.

The *Fouts Springs Youth Facility* (Fouts) accounts for the activities of the youth correctional facility operated under a Joint Powers Agreement with the counties of Colusa, Placer and Solano.

Additionally, the government reports the following funds types:

Internal service funds account for the management information systems, fleet management services, communications, reprographics, risk management and Solano County integrated property tax system services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

The *External Investment Trust Fund* is used to account for the pooling of resources in an investment portfolio for external county agencies and legally separate participants.

The *private purpose trust funds* are used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments.

The *agency funds* are used to account for assets held by the County as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

The amounts reported as program revenues in the statement of activities include 1) charges to customers or applicants for goods, services, or privileges provided, including special assessments, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Airport, Fair and Fouts activities are charges to customers for sales and services.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

The County pools cash and investments with the County Treasurer except for investments managed by paying agents under bonded debt agreements. Interest from bank accounts and investments are allocated to the various funds based on the average daily cash balances of the funds entitled to receive interest. It is the County's policy to charge interest to funds, which have a negative cash balance. Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earns the interest.

The County has stated required investments at fair value in the accompanying financial statements. The fair value of investments is based on published market prices and quotations from major investment brokers. The investments are marked to market and the net asset value is calculated for the County Treasurer's Investment Pool ("Pool") annually. For purposes of the statement of cash flows, proprietary funds consider all highly liquid investments with a remaining maturity of three months or less at the time of acquisition and pooled amounts in the County Treasury to be cash equivalents.

The Pool values participants' shares on an amortized cost basis. Specifically, the Pool distributes income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the Pool's investments.

The Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and the California State Government Code. The County Treasurer who reports on a monthly basis to the Board of Supervisors manages the Pool. In addition, the function of the County Treasurer Oversight Committee is to review and monitor the County's investment policy and to monitor compliance with the investment policy and reporting provisions of the law.

The Pool is comprised of two components: a) pooled deposits and investments and b) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to the General Fund's cash reserve requirement. In addition to the Pool, the County has other funds which are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the County. In addition, the investments of the WIB are held by trustees.

The school districts within the County of Solano's jurisdiction are required by the California Education Code to participate in the Pool. In addition, the Solano County Mosquito Abatement District is required by the Health and Safety Code to participate in the Pool. Deposits held on an involuntary participation basis for these districts and other agencies in the amount of \$254,073,391 are included in the External Investment Trust Fund.

The County's cash and investments include \$3,017,870 for private purpose trust funds. The County provides personal and financial services to individuals who are not able to manage their own affairs. The Public Administrator and Public Guardian administer the funds for individuals who are either deceased or incapacitated. The County also administers funds to provide services for adults and juveniles who are incarcerated.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2002, to support the value of shares in the Pool.

2. *Interfund Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and 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 the applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Property Tax Levy, Collection and Maximum Rates

The County is responsible for assessing, collecting and apportioning property taxes. Article XIII A of the California Constitution (Proposition 13) provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted upward by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from the tax levy among the counties, cities, school districts and other districts.

The County assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	October 1	July 1
Due dates	50% on November 1, 50% on March 1	August 1
Delinquent dates	December 11 (for November) April 11 (for March)	August 31

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are enforced by liens on the property being taxed.

The County uses the advance apportionment method of accounting for apportioning property taxes as provided in State Revenue and Taxation Code Section 4701-4717. Under this method, anticipated secured property tax monies are advanced to the various County funds and governmental agencies prior to the collection of such monies from the taxpayers.

4. Other Assets

The County reports inventories in the other asset category. The County values inventories at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when purchased rather than when consumed.

5. Investment in Joint Venture

The County uses the full accrual method of accounting to report the total investment in joint venture. Additional information regarding this investment is available in Note II-J.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges and easements) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment, and depreciable infrastructure assets of the primary government and its component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Bridges	99
Computer equipment	3-7
Office equipment	3-7
Specialty equipment and vehicles	2-20
Construction equipment	10-20
Buildings and improvements	10-40
Roads (surface only)	10-20

7. Federal, State and Local Grants

Proprietary fund type grants received within proprietary funds for operating assistance are recorded as nonoperating revenues in the year in which the grants are expended and the related grant conditions are met. Governmental fund grants received are recorded as revenues in the year they become both measurable and available and when all eligibility requirements have been met. The County uses a 90-day measurable and available time period. Monies received that do not meet this criteria are recorded as deferred revenue.

8. Outstanding Warrants

Outstanding warrants represent the amount of warrants issued but not yet presented to the County for payment. Such amounts are recorded in the individual funds. When warrants are mailed, expenditures are recorded in the individual fund types and an outstanding warrant liability is created, pending payment of the warrant.

9. Internal Balances

Included in the "Internal balances" are amounts owed to/by funds within the County.

10. Due To/Due From Other Agencies

Included in "Due to/due from other governmental agencies" are amounts owed to/by governmental entities outside the reporting entity.

11. Deferred Revenue

Deferred revenue represents financial resources received before qualifying expenditures are made. Primarily, these resources are advances from the State of California and the federal government for costs of various programs administered by the County's Health & Social Services Department. Deferred revenue also represents receivables recorded before the availability criterion has been met as disclosed in Note II - B.

12. *Compensated Absences*

Vested unused vacation pay may be accumulated and, if not taken, is paid at the date of termination from County employment. All compensated pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Upon retirement, unused sick leave is paid up to a maximum of 500 hours per employee.

13. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

14. *Net Assets/Fund Balances*

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets - net of related debt, restricted and unrestricted.

- *Invested in capital assets, net of related debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted for: Capital projects* – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation specifically for the capital projects.
- *Restricted for: Debt service* – This category represents external restrictions imposed by the trust agent as stated in the bond indenture agreements for the issuance and repayment of long-term debt.
- *Unrestricted* – This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by GAAP, bond indenture agreements and by actions of the Board and/or management.

As of June 30, 2002, reservations of fund balance are described below:

- *Long-term assets* – to reflect the amounts due from others that are long-term in nature. Such amounts do not represent available spendable resources (GAAP).
- *Debt service* – to reflect the funds held by trustees or fiscal agents for future payment of principal and interest indicated in the indenture agreement. These funds are not available for general operations.
- *Capital projects* – to reflect the funds held by the County earmarked for capital projects. These funds are not available for general operations.
- *Encumbrances* – to reflect the outstanding contractual obligations for which goods and services have not been received as of June 30, 2002 (GAAP).
- *General* – to reflect the portion of funds reserved for general purposes.
- *Other purposes* - to reflect the portion of assets that do not represent available spendable resources.

As of June 30, 2002, the portion of fund balance classified as unreserved is described below:

- *Designated, reported in: Capital project funds* – to reflect the fund balances reported by the County in capital project funds.
- *Designated, reported in: Special revenue funds* – to reflect the fund balances reported by the County in special revenue funds.
- *Undesignated* – to reflect the fund balance reported that is undesignated in the funds.

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments of the County, excluding WIB, at June 30, 2002 were as follows:

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Held by County Treasurer	\$ 8,681,000	\$ 26,624,406	\$ 396,718,467	\$ 432,023,873
Held by third-party fiscal Agents	89,557	2,499,730	10,734,225	13,323,512
Total cash and investments	<u>\$ 8,770,557</u>	<u>\$ 29,124,136</u>	<u>\$ 407,452,692</u>	<u>\$ 445,347,385</u>

Reconciliation to financial statements:

Government-wide Statement of Net Assets \$ 146,795,334

Statement of Fiduciary Net Assets:

External Investment Trust 276,583,789

Private Purpose Trust 3,017,870

Agency Funds 18,950,392

Total \$ 445,347,385

Cash and investments of the WIB at June 30, 2002 were as follows:

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Held by County Treasurer	\$ -	\$ -	\$ 205,760	\$ 205,760
Held by third-party fiscal Agents	670	143,635	-	144,305
Total cash and investments	<u>\$ 670</u>	<u>\$ 143,635</u>	<u>\$ 205,760</u>	<u>\$ 350,065</u>

The County Treasurer manages cash and investments of the County. The County Treasurer maintains an investment pool used for substantially all funds held by the County except for specified funds, which by law must be segregated. Cash and investments held by third party fiscal agents are legally or contractually restricted for specific purposes and consist primarily of debt reserve requirements for tax revenue anticipation notes and other obligations.

1. Cash

As of June 30, 2002, the carrying amount of cash and deposits held by the County Treasurer was as follows:

Deposits in banks	\$ 23,124,406
Nonnegotiable certificates of deposit	3,500,000
Cash on hand	8,681,000
	<u>\$ 35,305,406</u>

As of June 30, 2002, the carrying amount and combined bank balances of the County Treasurer's deposits in banks were \$26,624,406. Of the bank balances, \$500,000 was covered by federal depository insurance, and the remaining \$26,124,406 was collateralized as required by Section 53652 of the California Government Code by securities held by the pledging financial institution in the County's name.

As of June 30, 2002, the carrying amount of cash and deposits held by third-party fiscal agents was as follows:

Deposits in banks	\$ 1,065,118
Nonnegotiable certificates of deposit	1,434,612
Cash on hand	89,557
	<u>\$ 2,589,287</u>

As of June 30, 2002, the carrying amount of cash held by third-party fiscal agents was \$2,499,730 and the combined bank balances were \$2,583,775. Of the bank balances, \$671,779 was covered by federal depository insurance, and the remaining \$1,911,996 was collateralized as required by Section 53652 of the California Government Code by securities held by the pledging financial institution in the County's name.

As of June 30, 2002, the carrying amount of cash and deposits held by WIB was as follows:

Deposits in banks	\$ 143,635
Cash on hand	670
	<u>\$ 144,305</u>

As of June 30, 2002, the carrying amount of the WIB's deposits in bank not maintained with the County Treasurer was \$143,635 and the combined bank balances were \$120,135. Of the bank balances, \$100,000 was covered by federal depository insurance, and the remaining \$20,135 was collateralized as required by Section 53652 of the California Government Code by securities held by the pledging financial institution in the County's name.

2. Investments

Statutes authorize the County to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentality's, certificates of deposit of nationally or state-chartered banks or savings institutions, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, medium term corporate notes, repurchase agreements, reverse repurchase agreements and the California State Treasurer's investment pool (Local Agency Investment Fund or LAIF).

The County's investments, are categorized to give an indication of the level of custodial credit risk assumed by the County as of June 30, 2002. This categorization includes WIB as component unit investments that are not separately identifiable.

Investments are categorized into these three categories of custodial credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

Investments in LAIF and money market funds are not required to be categorized.

Investments

	Category 1	Category 2	Carrying value
Investments held by County Treasurer:			
Categorized:			
U. S. Government agencies	\$ 226,453,709		\$ 226,453,709
U. S. Treasuries	51,279,700		51,279,700
Medium-term notes	55,994,722		55,994,722
	\$ 333,728,131		333,728,131
Non-categorized:			
Money market funds			33,697,611
Investment in LAIF			29,498,485
Total investments held by County Treasurer			396,924,227
Investments held by third-party fiscal agents:			
Categorized:			
U.S. government securities		\$ 10,721,253	10,721,253
		\$ 10,721,253	10,721,253
Non-categorized:			
Money market funds			12,972
Total investments held by third-party fiscal agents:			10,734,225
 Total Investments			 \$ 407,658,452

Fair values fluctuate with interest rates, and increasing rates could cause fair values to decline below original cost. County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost.

At June 30, 2002, the County's investment position in the State of California Local Agency Investment Fund (LAIF) is \$29,498,485. 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 County's portion in the pool. The total amount invested by all public agencies in LAIF on June 30, 2002, is \$47,719,552,000. LAIF is managed by the State Treasurer. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$551,578,000, and asset-backed securities totaling \$921,063,000. The Local Investment Advisory Board (LIAB) has oversight responsibility for LAIF. The LIAB consists of five members as designated by State Statute. Information is not available on whether the mutual funds in which the County has invested, used, held or wrote derivative products during the fiscal year ended June 30, 2002.

The earned yield, which includes net gains on investments sold, on all investments held by the County Treasurer for the fiscal year ended June 30, 2002 was 4.08%.

A summary of the investments held by the Treasurer's Pool is as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>
U.S. government agencies	\$ 226,453,709	\$ 223,322,030	2.555 – 7.050%	07/02 – 10/12
U.S. treasuries	51,279,700	50,000,000	3.875 – 5.250	05/03 – 05/04
Medium-term notes	55,994,722	54,600,000	5.125 – 7.800	07/02 – 09/04
Money market funds	33,697,611	33,697,611	0.000 – 1.750	07/02
Investment in LAIF	29,498,485	29,498,485	2.7000	07/02
	<u>\$ 396,924,227</u>	<u>\$ 391,118,126</u>		

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2002:

Statement of net assets

Net assets held in trust for all pool participants	<u>\$ 424,390,624</u>
Equity of internal pool participants	\$ 147,706,835
Equity of external pool participants	<u>276,583,789</u>
Total equity	<u>\$ 424,390,624</u>

Statement of changes in net assets

Net assets as of July 1, 2001	\$ 403,466,726
Net change in investments by pool participants	<u>20,923,898</u>
Net assets as of June 30, 2002	<u>\$ 424,390,624</u>

Reconciliation to financial statements

Held by County Treasurer:	
Primary government	\$ 432,023,873
Component unit	205,760
Less outstanding warrants:	
Primary government	7,651,027
Component unit	<u>187,982</u>
Total	<u>\$ 424,390,624</u>

B. Receivables

Receivables at June 30, 2002, for the government's individual major funds, other governmental funds, and internal service funds.

	Receivables			
	Accounts	Intergovernmental	Long-term	Total
Governmental activities:				
General	\$ 3,497,165	\$ 4,016,394	\$ -	\$ 7,513,559
Health & Social Services	519,081	18,121,401	-	18,640,482
Public Safety	269,729	6,702,990	-	6,972,719
Tobacco Settlement	4,000	-	-	4,000
Other Governmental Funds	36,962	3,464,784	1,788,024	5,289,770
Internal Service Funds	142,161	129,117	-	271,278
Total governmental activities	<u>\$ 4,469,098</u>	<u>\$ 32,434,686</u>	<u>\$ 1,788,024</u>	<u>\$ 38,691,808</u>
Business-type activities				
Nut Tree Airport	\$ 37,224	\$ 456	\$ -	\$ 37,680
Solano County Fair	77,652	64,247	-	141,899
Fouts Springs Youth Facility	120,183	571,190	-	691,373
Total business-type activities	<u>\$ 235,059</u>	<u>\$ 635,893</u>	<u>\$ -</u>	<u>\$ 870,952</u>

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

Grant advances and drawdowns prior to meeting all eligibility requirements:

Fund	Unavailable	Unearned
Health and Social Services	\$ 3,572,676	\$ 6,673,488
Public Safety	-	3,667,401
Other Governmental Funds	-	510,274
Total deferred revenue	<u>\$ 3,572,676</u>	<u>\$ 10,851,163</u>

Prepayments received for services to be rendered:

Fund	Unearned
Solano County Fair	\$ 1,246
Fouts Springs Youth Facility	244,287
Total deferred revenue	<u>\$ 245,533</u>

C. Due To/Due From Other Funds

		Due To							
		General Fund	Health & Social Services	Public Safety	Tobacco Settlement	Other Governmental Funds	Internal Service Funds	Fouts Springs Youth Facility	Total
Due From	General Fund	\$ -	\$ 555	\$ 2	\$ -	\$ 27,558	\$ 117,128	\$ -	\$ 145,243
	Health & Social Services	5,150,499	-	42,583	89,674	529,865	64,712	-	5,877,333
	Public Safety	6,985	275,427	-	-	61,762	20,383	52,163	416,720
	Tobacco Settlement	-	477,929	-	-	-	-	-	477,929
	Fairfield Downtown Project	11,542	-	-	-	-	-	-	11,542
	Other Governmental Funds	2,631,433	-	-	-	603,996	457	-	3,235,886
	Internal Service Funds	13,828	106,361	3,642	-	75,188	2,235	-	201,254
	Nut Tree Airport	9,172	-	-	-	-	-	-	9,172
	Fouts Springs Youth Facility	-	-	-	-	152,806	28	-	152,834
	Total	\$ 7,823,459	\$ 860,272	\$ 46,227	\$ 89,674	\$ 1,451,175	\$ 204,943	\$ 52,163	\$ 10,527,913

General Fund:

The Health and Social Services Department (HSSD) owed \$5,150,499 to the General Fund since the HSSD did not use the full contribution received from the General Fund at the beginning of the fiscal year.

The Recorder’s Automation Fund owed \$1,237,316 to the Recorder’s Operating Budget (General Fund) for the purchase and installation of a new online records imaging equipment.

The Accumulated Capital Outlay Fund and the Rural North Vacaville Water District temporarily borrowed \$464,468 and \$899,858, respectively, to offset a negative cash balance as of June 30, 2002.

Health & Social Services Fund

The Health and Social Services Department provides services to other County departments and also shares some of the same revenue sources. The balance represents charges for services provided by HSSD to Probation at the Juvenile Hall; reimbursement of costs for the Health Department’s participation on the Mutli-Disciplinary Team (funded by Probation) and transfer of revenue from the Substance Abuse Crime Prevention funds to the HSSD to offset program costs.

The Risk Management Internal Service Fund transferred \$104,000 to the HSSD Occupational Health Program for countywide training on workplace protection and other occupational health training and services provided by the HSSD.

Internal Service Funds

Amounts represents charges to the departments for services provided but not collected as of June 30, 2002.

Other Governmental Funds

The most significant amounts due to Other Governmental Funds include:

The HSSD fund owed \$529,865 to the Accumulated Capital Outlay fund for construction and acquisition of equipment for the new HSSD Administration Building.

The Rural North Vacaville Water District Debt Service Fund borrowed \$600,000 from the Rural North Vacaville Water District to fund a surety requirement from the State Department of Water Resources.

A transfer of \$144,000 represents the project costs from the Accumulated Capital Outlay fund to the Fouts Springs Youth Facility.

D. Capital Assets

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

Governmental activities	Beginning Balance, as restated	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 146,345,337	\$ 1,852,140	\$ -	\$ 148,197,477
Construction in progress	6,154,210	26,577,610	-	32,731,820
Total capital assets, not being depreciated	152,499,547	28,429,750	-	180,929,297
Capital assets, being depreciated				
Buildings	131,435,380	27,839	(1,252,494)	130,210,725
Machinery and equipment	27,169,992	5,526,686	(1,653,848)	31,042,830
Infrastructure	71,333,584	3,270,720	(1,646,155)	72,958,149
Total capital assets, being depreciated	229,938,956	8,825,245	(4,552,497)	234,211,704
Less accumulated depreciation for:				
Buildings	(64,466,312)	(4,080,057)	1,251,860	(67,294,509)
Machinery and equipment	(17,254,512)	(3,069,086)	1,652,598	(18,671,000)
Infrastructure	(19,621,421)	(2,559,310)	107,034	(22,073,697)
Total accumulated depreciation	(101,342,245)	(9,708,453)	3,011,492	(108,039,206)
Total capital assets, being depreciated, net	128,596,711	(883,208)	(1,541,005)	126,172,498
Governmental activities capital assets, net	\$ 281,096,258	\$ 27,546,542	\$ (1,541,005)	\$ 307,101,795
Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,760,371	\$ -	\$ -	\$ 2,760,371
Construction in progress	2,457,531	1,252,014	-	3,709,545
Total capital assets, not being depreciated	5,217,902	1,252,014	-	6,469,916
Capital assets, being depreciated				
Buildings	15,518,045	844,975	(1,392,144)	14,970,876
Machinery and equipment	1,129,506	120,612	(280,193)	969,925
Total capital assets, being depreciated	16,647,551	965,587	(1,672,337)	15,940,801
Less accumulated depreciation for:				
Buildings	(9,310,073)	(587,210)	1,657,886	(8,239,397)
Machinery and equipment	(214,018)	(38,082)	14,451	(237,649)
Total accumulated depreciation	(9,524,091)	(625,292)	1,672,337	(8,477,046)
Total capital assets, being depreciated, net	7,123,460	340,295	-	7,463,755
Business-type activities capital assets, net	\$ 12,341,362	\$ 1,592,309	\$ -	\$ 13,933,671

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 251,689
Public protection	3,959,014
Public ways and facilities	2,722,526
Health and sanitation	808,130
Public assistance	375,077
Education and recreation	243,565
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,348,452</u>
Total depreciation expense-governmental activities	<u>\$ 9,708,453</u>
Business-type activities:	
Nut Tree Airport	\$ 237,524
Solano County Fair	335,565
Fouts Springs Youth Facility	<u>52,203</u>
Total depreciation expense-business-type activities	<u>\$ 625,292</u>

Activity for the WIB for the fiscal year ended, June 30, 2002, was as follows:

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 21,749	\$ -	\$ -	\$ 21,749
Less: accumulated depreciation	<u>(11,128)</u>	<u>(3,122)</u>	<u>-</u>	<u>(14,250)</u>
Total capital assets, being depreciated, net	<u>\$ 10,621</u>	<u>\$ (3,122)</u>	<u>\$ -</u>	<u>\$ 7,499</u>

E. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2002, was as follows:

		Transfers From						
		General Fund	Health & Social Services	Public Safety	Tobacco Settlement	Other Governmental Funds	Internal Service Funds	Total
Transfers To	General Fund	\$ -	\$ 5,058,400	\$ 16,874	\$ -	\$ 1,270,317	\$ -	\$ 6,345,591
	Health & Social Services	12,300,669	-	216,047	477,929	-	-	12,994,645
	Public Safety	50,314,104	32,350	-	365,000	68,027	-	50,779,481
	Fairfield Downtown Project	-	-	-	-	4,950,000	-	4,950,000
	Other Governmental Funds	3,055,692	1,959,359	1,879,057	-	5,578,598	75,000	12,547,706
	Internal Service Funds	37,877	280,468	388,710	-	25,279	-	732,334
	Total	\$ 65,708,342	\$ 7,330,577	\$ 2,500,688	\$ 842,929	\$ 11,892,221	\$ 75,000	\$ 88,349,757

General Fund:

The General Fund made a net contribution of \$59,362,751 to other funds to offset operating costs of those programs and to meet the maintenance of effort requirements for many grant-funded programs. Of the amount transferred, the Public Safety Fund received a net transfer of \$50,297,230, the Health & Social Services Fund received a net transfer of \$7,242,269 and other governmental funds received \$1,785,375 (primarily to the debt service funds for repayment of long-term debt).

Health and Social Services Fund:

The Health & Social Services Fund transferred approximately \$1,400,000 to the debt service funds to pay for the debt on the new administration building; \$533,000 to the Accumulated Capital Outlay Fund to offset costs of the new administration building; \$280,000 to the Fleet Management Fund for the purchase of several vehicles; and a one time excess county contribution transfer of \$5,058,400 to the General Fund.

Public Safety Fund:

The Public Safety Fund transferred \$216,000 to the Health & Social Services Fund to offset program costs; \$1,879,000 to the debt service funds for their share of the 2001 Certificates of Participation debt; and \$388,000 to the Fleet Management Fund for the purchase of vehicles.

Tobacco Settlement Fund:

The Tobacco Settlement Fund transferred \$478,000 to the Health & Social Services Fund to offset program costs, and \$365,000 to the Public Safety Fund to offset prosecution costs related to drug cases.

Other Governmental Funds:

Other funds transfers includes \$1,237,000 from the Recorder’s Modernization and Micrographics Fund to the General Fund to offset costs of the Recorder’s Department related to the online imaging automation project. The Public Facilities Fees (PFF) Fund transferred

\$4,950,000 to the Fairfield Downtown Project Fund to fund the initial costs related to the construction of the new Downtown government center; \$454,880 to the Accumulated Capital Outlay Fund for various capital projects; \$3,000,000 for construction costs on the new Juvenile Hall. There was also \$1,411,758 in transfers from various county funds to the debt service funds for repayment of long-term debt principal and interest.

Internal Service Funds:

The Risk Management Internal Service Fund transferred \$75,000 to the Accumulated Capital Outlay Fund to cover the costs associated with remodeling county buildings for compliance with the Americans with Disabilities Act (ADA).

F. Payables

The composition of Payables as of June 30, 2002, was as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 2,679,593	\$ -	\$ 2,679,593
Health and Social Services	10,405,188	-	10,405,188
Public Safety	3,290,536	-	3,290,536
Fairfield Downtown Project	869,778	-	869,778
Other Governmental Funds	4,389,955	-	4,389,955
Internal Service Funds	1,661,919	40,390	1,702,309
Reconciliation of balances in fund financial statements to government-wide financial statements	-	350,152	350,152
Total governmental activities	<u>\$ 23,296,969</u>	<u>\$ 390,542</u>	<u>\$ 23,687,511</u>
Business-type activities:			
Nut Tree Airport	\$ 20,501	\$ 15,905	\$ 36,406
Solano County Fair	143,038	-	143,038
Fouts Springs Youth Facility	122,674	-	122,674
Total business-type activities	<u>\$ 286,213</u>	<u>\$ 15,905</u>	<u>\$ 302,118</u>

G. Leases

The County leases office space and equipment under operating leases. Future minimum rental payments under all noncancelable operating leases with initial or remaining terms in excess of one year as of June 30, 2002 are summarized as follows:

<u>Year Ending June 30,</u>	<u>Primary Government</u>	<u>WIB</u>	<u>Total</u>
2003	\$ 1,880,396	\$ 484,683	\$ 2,365,079
2004	1,850,453	478,717	2,329,170
2005	1,066,043	497,577	1,563,620
2006	800,207	-	800,207
	<u>\$ 5,597,099</u>	<u>\$ 1,460,977</u>	<u>\$ 7,058,076</u>

H. Short-term Obligations

Cash shortfalls arise due to the timing differential of monthly cash receipts and disbursements throughout the fiscal year. The purpose of the temporary borrowing is to increase available cash balances to provide operating funds to cover cash shortfalls. In the fiscal year 2000/2001, the County issued \$18,000,000 in short-term tax and revenue anticipation notes (TRANS) to fund this cash shortfall. TRANS are issued through the California Statewide Communities Development Authority. The TRANS obligation was paid off on December 31, 2001.

I. Long-term Obligations

Capital Leases:

The County has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental activities	Business-type activities
Machinery and equipment	\$ 1,096,057	\$ 142,049
Less: Accumulated depreciation	(394,434)	(41,838)
Total	<u>\$ 701,623</u>	<u>\$ 100,211</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2002, were as follows:

<u>Year Ended June 30,</u>	Governmental activities	Business-type activities
2003	\$ 247,868	\$ 42,734
2004	246,365	18,669
2005	98,344	1,774
2006	98,343	-
2007	49,171	-
Total minimum lease payments	740,091	63,177
Less: amount representing interest	(58,267)	(4,080)
Present value of minimum lease payments	<u>\$ 681,824</u>	<u>\$ 59,097</u>

Notes Payable:

The government has entered into notes payable agreements as borrower for financing arrangements. These agreements qualify as notes payable for accounting purposes and therefore, have been recorded at their full amount as of the inception date of the loan.

The annual debt service requirements to maturity for notes payable leases are as follows:

Year Ended June 30,	Governmental Activities (*)		Business-type Activities	
	Principal	Interest	Principal	Interest
2003	\$ 2,048,123	\$ 287,467	\$ 129,472	\$ 25,477
2004	898,594	167,337	99,097	17,543
2005	941,328	124,602	102,442	11,761
2006	986,074	79,857	71,165	5,804
2007	923,391	32,474	19,417	1,847
2008-2012	289,971	10,979	16,072	1,210
	<u>\$ 6,087,481</u>	<u>\$ 702,716</u>	<u>\$ 437,665</u>	<u>\$ 63,642</u>

(*) The liability for the Department of Water Resources and the Department of Health Services are not included in the maturity schedule. The repayment amounts and dates are contingent upon the completion of the project that are undeterminable at this time.

Certificates of Participation:

The government issues certificates of participation to provide funds for the acquisition and construction of major capital facilities. Certificates of Participation have been issued for governmental activities only. The original amount of certificates of participation issued in prior years was \$59,765,000. During the year, certificates of participation totaling \$21,285,000 were issued to refund prior certificates of participation.

Year Ended June 30,	Principal	Interest
2003	\$ 6,055,000	\$ 2,198,115
2004	6,325,000	1,950,515
2005	5,765,000	1,708,715
2006	6,775,000	1,456,495
2007	1,670,000	1,284,325
2008-2012	9,560,000	5,210,164
2013-2017	10,530,000	2,685,809
2018-2019	5,795,000	426,019
	<u>\$ 52,475,000</u>	<u>\$ 16,920,157</u>

Advance Refunding:

The government issued \$21,285,000 of refunding certificates of participation to provide resources to payoff the remaining outstanding 1993 certificates of participation of \$22,550,000. As a result, the refunded certificates are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$657,434. This advance refunding was undertaken to reduce the total debt service payments over the next 4 years by \$2,986,111 and resulted in an economic gain of \$1,185,570.

The composition of the long-term debt obligations for the governmental activities as of June 30, 2002, was as follows:

<u>Type and description</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding</u>
Notes Payable:				
Calease Public Funding Corporation	February 25, 2003	4.98%	\$ 6,130,000	\$ 1,209,429
Pitney Bowes	May 24, 2007	4.94	7,182,298	3,953,672
California Energy Commission	June 22, 2009	3.00	924,380	924,380
Department of Water Resources	July 1, 2022 (*)	2.80	5,000,000	4,501,243
Department of Health Services	July 1, 2022 (*)	2.80	8,984,099	4,633,701
Total notes payable				15,222,425
Capital Leases:				
Ameritech Credit Corporation	December 30, 2006	4.10	448,030	406,588
Advanta	October 25, 2002	8.76	18,027	1,477
Calease Public Funding Corp	July 23, 2003	5.38	630,000	273,759
Total capital leases				681,824
Certificates of Participation:				
1998 Court Expansion/ Improvements (**):				
Serial	November 5, 1998- November 15, 2013	2.95 - 4.68	6,455,000	3,995,000
Term	November 15, 2018	4.93	1,480,000	1,480,000
Issuance Premium			1,185	948
1999 Health & Social Services Capital Improvements (**)				
Serial	November 5, 1999- November 15, 2014	3.20 - 5.13	23,515,000	21,460,000
Term	November 15, 2019	5.23	8,195,000	8,195,000
Issuance Discount			345,718	(293,860)
2001 Refunding (of 1993 Certificates) (**)				
Serial	October 1, 2002	4.00	3,885,000	
Serial	October 1, 2003	4.00	4,065,000	
Serial	October 1, 2004	4.00	4,225,000	
Serial	October 1, 2005	4.00	5,170,000	17,345,000
Issuance Premium			331,173	264,938
On refunding			657,434	(525,947)
Total certificates of participation				51,921,079
Compensated Absences				12,914,202
Total governmental obligations				\$ 80,739,530

(*) Estimate based on final contract amount

(**) Subject to arbitrage

Arbitrage calculations are performed annually by the California Asset Management Program, joint powers authority. The County has established a separate rebate fund with the Trustee to hold future arbitrage payments.

The composition of the long-term debt obligations for the business-type activities as of June 30, 2002, was as follows:

Type and description	Maturity	Interest Rates	Original Issue	Outstanding
Nut Tree Airport				
Notes Payable:				
State Division of Aeronautics	July 7, 2009	5.05%	\$ 60,000	\$ 48,027
State Division of Aeronautics	April 1, 2003	6.85	450,000	37,500
State Division of Aeronautics	February 1, 2005	5.90	125,000	49,302
State Division of Aeronautics	April 10, 2005	6.79	125,000	49,302
State Division of Aeronautics	October 1, 2006	5.64	450,000	197,964
State Division of Aeronautics	July 1, 2006	5.51	90,000	55,570
Total notes payable				437,665
Capital Leases:				
Ford Motor Credit Corp.	July 17, 2000	7.05	36,000	8,834
Total capital leases				8,834
Compensated Absences				43,547
Total Nut Tree Airport				490,046
Solano County Fair				
Capital Leases:				
Leasing Associates	April 1, 2003	14.50	33,214	12,946
California Fair Services Association	May 1, 2004	8.50	17,298	9,274
Total capital leases				22,220
Compensated Absences				86,118
Total Solano County Fair				108,338
Fouts Springs Youth Facility				
Capital Leases:				
Ford Motor Credit Corp.	February 2, 2003	7.50	24,739	7,012
Ford Motor Credit Corp.	June 11, 2004	5.95	30,798	21,031
Total capital leases				28,043
Compensated Absences				251,431
Total Fouts Springs Youth Facility				279,474
Total business-type activities				\$ 877,858

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2002, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds payable	\$ 170,000	\$ -	\$ (170,000)	\$ -	\$ -
Capital leases	537,871	448,030	(304,077)	681,824	219,812
Certificates of participation	59,765,000	21,285,000	(28,575,000)	52,475,000	6,055,000
Deferred amounts:					
For issuance discounts	(311,146)	-	17,286	(293,860)	(17,286)
For issuance premiums	1,007	331,173	(66,294)	265,886	66,294
On refunding	-	(657,434)	131,487	(525,947)	(131,487)
Notes payable	7,034,007	10,059,326	(1,870,908)	15,222,425	2,048,123
Compensated absences	11,775,920	1,138,282	-	12,914,202	-
Governmental activities long-term liabilities	<u>\$ 78,972,659</u>	<u>\$ 32,604,377</u>	<u>\$ (30,837,506)</u>	<u>\$ 80,739,530</u>	<u>\$ 8,240,456</u>
Business-type activities:					
Capital leases	\$ 69,391	\$ 30,798	\$ (41,092)	\$ 59,097	\$ 39,126
Notes payable	560,012	-	(122,347)	437,665	129,472
Compensated absences	339,315	41,781	-	381,096	-
Business-type activities long-term liabilities	<u>\$ 968,718</u>	<u>\$ 72,579</u>	<u>\$ (163,439)</u>	<u>\$ 877,858</u>	<u>\$ 168,598</u>

J. Joint Venture

In June, 2002, the County, in conjunction with the cities of Benicia, Fairfield, and Vallejo, and the County of Napa, entered into a joint powers agreement (JPA) establishing the Solano/Napa Regional Peace Officers Training Association (Association). The Association is responsible for the construction and operation of a regional firearms training center for which the members of the JPA share equal responsibility for developing the site for the firing range and for joint operational use. Once completed and operational, the firearms training center will be self-supporting from user fees charged to other (non-member) agencies and available to Association members at low or no cost.

The Solano County Sheriff represents the County on the Association's Board of Directors, comprised of one director from each participating agency. Except for the initial membership fee, each of the member agencies may, but are not required to, make contributions for operating purposes. As such, the County's residual interest is based on membership cost in the Association, which was \$500,000 (1/5 share). The Association Treasurer/Auditor will maintain the books and financial records of the Association and provide financial reports each fiscal year to the member agencies. Financial statement information can be obtained through the Solano County Sheriff's office at 530 Union Ave., Fairfield, CA 94533.

The County's participation totaling \$650,000, comes in three parts:

- A transfer from the General Fund contingencies in the amount of \$250,000 for fiscal year 2000/2001.
- A proposed transfer of \$250,000 from general expenditures due August 1, 2002.
- A one-time transfer of \$150,000 from the Sheriff's budget.

K. Deficit fund equity

As of June 30, 2002, the following individual funds had deficit fund balances:

Rural North Vacaville Water District	\$ 305,043
Health and Social Services	1,686,387

The deficit fund balance within these individual funds is expected to be resolved through adjustment/transfers from the primary operating funds or through current year operating revenues.

III. OTHER INFORMATION

A. Employee Retirement Plan

1. Plan Description

The County's defined benefit pension plan, Public Employees' Retirement Fund (the Fund), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Fund is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through County ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

2. Funding Policy

Active plan members in the Fund are required to contribute between 2% to 5% of their annual covered salary. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by CalPERS Board of Administration. The required employer contribution rate for fiscal year 2001/2002 was 0.0% for both miscellaneous and public safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

3. Annual Pension Cost

For fiscal year 2001/2002, the County's annual pension cost was \$0 and the County's contribution was \$0. The required contribution for fiscal year 2001/2002 was determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.75% to 14.2% (11.59% for the safety plan) depending on age, service, and type of employment; (c) inflation of 3.5%; and (d) payroll growth of 3.75%. The actuarial value of the Fund's assets was determined using a technique that smoothes the effect of short-

term volatility of the market value of investments over a three-year period. The Fund's excess assets are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of June 30, 2001 was 22 and 10 years for the miscellaneous and safety plans, respectively.

Three-year trend information for the Fund

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC contributed	Net pension obligation
6/30/00	\$ 4,107,895	100%	-
6/30/01	-	100	-
6/30/02	-	100	-

B. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance. Premiums are paid through the Risk Management Internal Service Fund. The County participates in property, workers' compensation, and general liability insurance programs organized by the California State Association of Counties – Excess Insurance Authority (CSAC-EIA), a joint powers authority created to provide self-insurance programs for its 53 member counties. Each county has a representative on the Joint Powers Board, which governs management, financing and budgeting of CSAC-EIA activities. The County also participates in various other insurance programs, in which the premiums paid are considered insignificant to the total paid during the year. The County paid premiums totaling \$5,446,969 during the fiscal year ended June 30, 2002.

The County participates in the CSAC-EIA Property Program. The County's deductible is \$5,000 per occurrence. The County has primary coverage up to \$10,000,000, and participates in excess coverage up to \$300,000,000.

Effective July 1, 1997, the County elected to fully insure the County's workers' compensation coverage under the CSAC-EIA Primary Workers' Compensation Program. The County no longer self-insures for this risk. During the fiscal year ended June 30, 1998, the County paid CSAC-EIA approximately \$6,400,000 to transfer its risk of all workers' compensation claims, including incurred-but-not-reported claims as of June 30, 1997. The County has primary coverage up to \$125,000 per occurrence, and participates in excess coverage subject to statutory limits.

Effective November 1, 1998, the County elected to fully insure the County's general liability coverage under the CSAC-EIA General Liability Program. The County no longer self-insures for this risk. The County continues to be liable for all claims incurred prior to November 1, 1998, with a \$300,000 retention level per claim with no deductible under the primary General Liability Program. The County also participates in excess coverage up to \$10,000,000.

Insurance expenses are recorded in the Risk Management Internal Service Fund. Insurance expenses represent changes in the estimate of the amounts needed to pay general liability claims incurred prior to November 1, 1998, as well as premiums paid to CSAC-EIA for the property, general liability, and workers' compensation programs. As the County is only liable for general liability claims incurred prior to November 1, 1998, the County's estimate for the liability for unpaid claims is based on only those claims that have been reported. The County

does not believe that any unreported general liability claims incurred prior to November 1, 1998 will have a material effect on the financial statements. Revenues for the Risk Management Fund are represented by transfers from other County funds based on each fund's allocated share of the insurance expenses. Settled claims have not exceeded coverage since the effective dates.

As of June 30, 2002, the accrued loss contingency was \$235,196, and is reported as a liability in the Internal Service fund. In County management's opinion, the contingency is adequate to cover any potential claims not covered by insurance.

Changes in the Risk Management Internal Service Fund's accrued loss contingency amount in years ended June 30, 2002 and 2001 were:

<u>Year Ended</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
June 30, 2001	\$ 1,067,678	\$ 517,792	\$ (342,985)	\$ 206,901
June 30, 2002	206,901	481,778	(453,483)	235,196

C. Commitments and Contingencies

The County is exposed to various types of claims and litigation arising from its normal operations. The ultimate outcome of these matters is not presently determinable. However, in County management's opinion, these matters should not have a significant adverse effect on the County's financial position.

1. Grants

Amounts received or receivable under grants are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County's management expects such amounts, if any, to be immaterial.

2. Land Swap

On October 23, 2001, the Board approved an agreement between the County and the Fairfield Redevelopment Agency to acquire five acres of land for wetlands mitigation located north of Flannery Road and east of State Highway 113. The agreement is to swap that parcel for a future site purchased by the County within three years from the close of escrow or pay the sum of \$74,200. The County has established a contingent liability for the \$74,200.

D. Restatement of Beginning Fund Balance/Equity

1. Prior Period Adjustments

- a. Health and Social Services (\$2,896,472) – The net adjustment for revenue that was overstated in the prior year.

- b. Public Safety (\$620,305) - The net adjustment for revenue that was overstated in the prior year.
- c. Fairfield Downtown Project \$103,133 – The adjustment from the Accumulated Capital Outlay Fund for the Fairfield Downtown Project.
- d. Other Governmental Funds \$445,439 - \$981,506 for expenditures that were accrued in the prior year in error; (\$103,133) for the adjustment from the Accumulated Capital Outlay Fund for the Fairfield Downtown Project; (\$545,326) for the prior period accrual adjustment for the Transportation Fund; \$51,154 for the Fouts Springs Youth Facility Project and; \$61,238 revenue adjustments required per the State Annual Report of Financial Transactions.
- e. Governmental Activities (\$3,406,045) - The net adjustment for full accrual revenue that was not reported in the prior year (\$3,662,799 for Health and Social Services and \$620,305 for Public Safety) and \$877,059 expenditures in the prior year that should have been capitalized.
- f. Solano County Fair \$94,552 – The net amount of prior year revenues not accrued.

2. Fund Reclassification

Other Governmental Funds: During the current year, the County evaluated its other governmental funds and reclassified funds that were more appropriately classified under a specific governmental function. For example, the Law Library Fund was reclassified into the Public Safety Fund for reporting purposes.

Agency Funds: During the current year, the County evaluated its agency funds and reclassified funds that did not meet the definition of an agency fund under GASB Statement No. 34. Previously the County had included the Southeast Vallejo Redevelopment Settlement Fund and the Fouts Springs Youth Facility Trust Fund as an agency fund. These funds were reclassified into the appropriate fund category.

The impact of the restatements on the fund balances/net assets is presented below:

	Governmental Funds				
	General Fund	Health & Social Services	Public Safety	Fairfield Downtown Project	Other Governmental Funds
Fund balance, June 30, 2001, as previously reported	\$ 32,023,242	\$ 8,097,056	\$ 1,941,492	\$ 7,637,294	\$ 67,333,373
Prior period adjustments:					
Accrual adjustment	-	(2,896,472)	(620,305)	103,133	445,439
Fund reclassification:					
Other governmental funds	2,478	139,581	6,725,988	-	(6,868,047)
Agency funds	-	-	-	-	1,057,424
Fund balance, July 1, 2001, as restated	<u>\$ 32,025,720</u>	<u>\$ 5,340,165</u>	<u>\$ 8,047,175</u>	<u>\$ 7,740,427</u>	<u>\$ 61,968,189</u>

	Governmental Activities	Business-type Activities			Total
		Nut Tree Airport	Solano County Fair	Fouts Springs Youth Facility	
Net assets, June 30, 2001, as previously reported	\$ 337,440,180	\$ 5,886,537	\$ 5,227,676	\$ 3,031,065	\$ 14,145,278
Prior period adjustments:					
Accrual adjustment	(4,283,104)	-	94,552	-	94,552
Capital asset capitalization	877,059	-	-	-	-
Fund reclassification:					
Agency Fund	1,057,424	-	-	340	340
Net assets, July 1, 2001, as restated	<u>\$ 335,091,559</u>	<u>\$ 5,886,537</u>	<u>\$ 5,322,228</u>	<u>\$ 3,031,405</u>	<u>\$ 14,240,170</u>

E. Subsequent Events

1. On November 1, 2002, the County entered into a trust agreement with Union Bank of California, N.A., to issue \$120,750,000 in Certificates of Participation at 4%, maturing November 1, 2032. The proceeds will be used to fund the County Administration Center, adjacent parking structure, probation building and fixtures, furniture and equipment. Details on the capital project can be found on page 6 of the transmittal.
2. On July 1, 2002, the County entered into the temporary borrowing of the 2002 tax and revenue anticipation notes (TRANS) in the amount of \$3,790,000 at a coupon rate of 3.00% which mature on June 30, 2003. The bonds funding the TRANS were issued through the California Statewide Communities Development Authority, and will be used to increase the available cash balance to provide operating funds to cover cash shortfalls.
3. On August 1, 2002, the County entered into an agreement with the California Statewide Financing Authority for the Tobacco Settlement Asset Backed Bonds (Series 2002A, 2002B and 2002C). The County pledged future cash flows from the State Tobacco Settlement proceeds to receive cash in advance. The County received net proceeds of \$55,088,433. The funds were deposited into a special revenue fund and will be subject to availability based on federal tax law. The use of these funds is restricted and has been earmarked by the Board for health and social services.

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REQUIRED
SUPPLEMENTARY
INFORMATION

COUNTY OF SOLANO, CALIFORNIA
Schedules of Funding Progress
For the fiscal year ended June 30, 2002
Unaudited

**Safety Plan
Retirement Program**

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Excess Assets</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Excess assets as a % of Payroll</u>
6/30/99	\$ 88,146,499	\$ 117,897,199	\$ 29,750,700	133.8%	\$ 23,301,402	127.7%
6/30/00	96,821,598	131,714,691	34,893,093	136.0%	24,311,440	143.5%
6/30/01	116,273,447	137,204,328	20,930,881	118.0%	26,405,516	79.3%

1959 Survivor Program

6/30/99	\$ -	\$ 215,103	\$ 215,103	-	\$ 23,301,402	0.9%
6/30/00	-	243,080	243,080	-	24,311,440	1.0%
6/30/01	-	256,457	256,457	-	26,405,516	1.0%

**Miscellaneous Plan
Retirement Program**

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Excess Assets</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Excess assets as a % of Payroll</u>
6/30/99	\$ 286,445,842	\$ 358,730,658	\$ 72,285,232	125.2%	\$ 94,234,675	76.7%
6/30/00	323,239,852	415,171,322	91,931,470	128.4%	104,676,655	87.8
6/30/01	412,350,432	429,107,829	16,757,397	104.1%	115,610,165	14.5

**COUNTY OF SOLANO, CALIFORNIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Budgetary Information

In accordance with provisions of Sections 29000 through 29144 of the California Governmental Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget each fiscal year. Until the adoption of this final balanced budget, operations are governed by the adopted proposed budget approved by the Board.

An operating budget prepared on a modified accrual basis is adopted each fiscal year for the general, special revenue, capital projects and debt service funds. Public hearings are conducted on the proposed budget to revise all appropriations and sources of financing. Any shortfall in revenues requires an equal reduction in appropriations.

Expenditures are controlled at the object level for all departments within the County except for capital outlay expenditures, which are controlled at the sub object level. This is the level at which expenditures may not legally exceed appropriations. Final budgeted amounts in the accompanying required supplementary information are reported as amended. Individual amendments during the fiscal year ended June 30, 2002, were not material in relation to the original appropriations.

Any amendments or transfers of appropriations between object levels within a department may be authorized by the County Administrator's Office. The Board must approve any other amendments or transfers. The Board must approve supplemental appropriations normally financed by unanticipated revenues during the year.

The County uses an encumbrance system as an extension of budgetary accounting for the general, special revenue, capital projects and debt service funds to assist in controlling expenditures. 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. Outstanding encumbrances at year-end are automatically reappropriated the following year. Unencumbered and unexpended appropriations lapse at year-end.



COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES

Other Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. This encompasses legal restrictions imposed by parties outside the government as well as those imposed by the governing body.

Capital Projects Fund

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those by proprietary funds and trust funds.

The County uses one fund for all capital projects with the exception of the Fairfield Downtown project. That fund is being reported separately and is considered a major fund for financial statement purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Debt service payments that do not involve the advance accumulation of resources, such as capital leases, are accounted for in the General Fund or a special revenue fund.

Special Revenue Funds

Library Fund – This fund is used to account for the government’s library services. Solano County Library offers professional innovative, cost-effective service by providing library materials, resources, information, entertainment and life long learning opportunities to enrich the lives of the people of Solano County. This fund is primarily funded through taxes and charges for services.

Transportation Fund – This fund is used to account for the transportation facilities and services of the County traveling public. The fund is primarily funded through state and federal grants.

Children and Families First Commission – This fund is used to promote, support and improve early childhood development by fostering and partnering with community resources and programs that support healthy and safe children, families and community. The fund is state funded through Proposition 10, the California Children and Families First Act passed by voters in 1998.

Homeacres Loan Program – This fund is used to provide low interest loans and grants designed to correct health and safety hazards in deteriorated housing and extend the useful life of affordable housing units. The fund is state funded through a Community Development Block Grant (CDBG).

Rural North Vacaville Water District – This fund is used to account for the construction and maintenance of a public water distribution system to serve properties within the Districts boundary with potable water for home and garden use. The fund is state funded through two low interest loans from the Department of Water Resources and the Department of Health Services.

Micrographics and Modernization – This fund is used to account for the modernization, maintenance and continual improvements to provide modern and efficient records management systems at the County Recorder’s office. The fund is funded through the collection of charges for services.

Public Facilities Fees – This fund is used to account for the collection of impact fees imposed on all new construction within all incorporated and unincorporated areas of Solano County.

Other Special Revenue Funds:

- East Vallejo Fire District – This fund is used to provide protection services to an area of East Vallejo. The funding for this area is through property taxes.
- Fish/Wildlife Propagation – This fund is used to provide the improvement of wildlife habitat and propagation, conservation and education in programs in Solano County. The funding for this program is fines, forfeitures and penalties.
- Housing Authority – This fund is used to provide housing assistance through the Section 8 Housing Assistance program for the unincorporated areas of Solano County. The funding for this program is through federal pass-through grants.

- Lighting Districts and Service Areas - These funds are used to account for the provision of overhead street lighting for specific services areas within the County. The funding for these areas is through property taxes allocated to each area.
- Parks and Recreation – This fund is used to account for the provision of clean and safe park areas and facilities in Solano County. The funding for this fund comes from state grants, charges for services and property taxes.
- Southeast Vallejo Redevelopment Settlement – This fund is used to track revenues from the City of Vallejo to the General Fund, resulting from the fiscal year 2000/2001 Southeast Vallejo Redevelopment Agreement between the County and the City of Vallejo.

Capital Projects Funds

Nonmajor Capital Projects Fund – The County uses the Accumulated Capital Outlay Fund to account for all countywide capital projects. The main projects during the year were the Beldings Landing Facility and the Health and Social Services Administration Building.

Fairfield Downtown Project - This fund is used to account specifically for the construction of the County Administration Center (CAC). This building will be 300,000 square feet and will house 18 County departments.

Debt Service Funds

Rural North Vacaville Water District – This fund was established for the repayment of the debt used to construct the Rural North Vacaville water distribution system. This repayment is funded through special tax assessments to the landowner. The debt repayment will begin upon completion of the project, projected to be December 2002.

1998 Certificates of Participation – This fund was established for the repayment of the debt used to remodel the court facilities and to purchase the new Court Automated Case Management System (ACMS). This repayment is funded through Public Facilities Fees and Courts repayment.

1999 Certificates of Participation – This fund was established for the repayment of debt used to acquire a 4.89-acre parcel of undeveloped land and construction of the new Health and Social Services administration building, and to defease the 1994 Certificates of Participation. This repayment is funded through the Health and Social Services Department.

2001 Certificates of Participation – This fund was established for the repayment of the 1993 Certificates of Participation. This repayment is primarily through the General Fund.

Other Debt Service Funds:

- Special Assessment – This fund was established for the repayment of the debt for the North Rio Vista Sewer Assessment District. This debt obligation has been satisfied and the remaining balance will be refunded to the Distric’s taxpayers.
- Debt Service Fund – This fund was established for the repayment of the debt on the general obligation bonds sold in 1973 to construct the South Wing of the Hall of Justice and other County facilities. This debt obligation has been satisfied and the remaining balance will be refunded to the taxpayers.
- Library – This fund was established for the repayment of the debt redemption payments for the 1977 Refunding Revenue Bonds. This obligation has been satisfied and the remaining balance will be refunded to the Library General Fund.

Internal Service Funds

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 government and to other government units, on a cost reimbursement basis.

Communications – This fund is used to account for the communications solutions for employees of the County.

Fleet Management – This fund is used to account for the rental and purchase of motor vehicles for other departments and their related maintenance cost.

Risk Management – This fund is used to account for the administration and management of the County's insurance and safety plans as well as the programs to control losses and provide timely information and employee benefit services to employees of the County.

Management Information Systems – This fund is used to account for the development, implementation and ongoing support costs for the electronic data processing services to departments of the County.

Solano County Integrated Property System – This fund is used to account for the property tax system planning, design, analysis, project management, programming and computer operations support for specific County departments.

Reprographics – This fund is used to account for reprographic services for departments of the County.

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STATISTICAL SECTION

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COUNTY OF SOLANO, CALIFORNIA
Government-wide Expenses by Function
Last Ten Fiscal Years ¹

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Protection</u>	<u>Public Ways and Facilities</u>	<u>Health and Sanitation</u>	<u>Public Assistance</u>	<u>Education and recreation</u>
2001	\$ 33,337,370	\$ 108,973,071	\$ 16,042,372	\$ 65,002,848	\$ 110,286,059	\$ 10,770,670
2002	41,910,911	119,673,935	7,076,867	80,209,568	118,808,521	11,945,358

Source: Audited Financial Statements

¹ Fiscal Years 1993 through 2000 were not restated under the GASB 34 full accrual basis of accounting

COUNTY OF SOLANO, CALIFORNIA
Government-wide Expenses by Function
Last Ten Fiscal Years ¹

Interest on long- term debt	Nut Tree Airport	Solano County Fair	Fouts Springs Youth Facility	Total	Fiscal Year
\$ 5,712,387	\$ 918,442	\$ 4,340,785	\$ 3,860,998	\$ 359,245,002	2001
4,994,361	1,048,905	5,182,459	4,400,648	395,251,533	2002

COUNTY OF SOLANO, CALIFORNIA
Government-wide Revenues
Last Ten Fiscal Years ¹

Program Revenues			
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2001	\$ 66,267,595	\$ 218,721,776	\$ 3,195,923
2002	74,498,473	243,832,179	979,600

Source: Audited Financial Statements

¹ Fiscal Years 1993 through 2000 were not restated under the GASB 34 full accrual basis of accounting

COUNTY OF SOLANO, CALIFORNIA
Government-wide Revenues
Last Ten Fiscal Years ¹

General Revenues

<u>Taxes</u>	<u>Intergovernmental</u>	<u>Interest & Investment Earnings</u>	<u>Miscellaneous</u>	<u>Total</u>	<u>Fiscal Year</u>
\$ 49,602,672	\$ 34,520,133	\$ 12,494,682	\$ 12,142,188	\$ 396,944,969	2001
53,036,648	38,769,158	8,550,695	10,132,841	429,799,594	2002

COUNTY OF SOLANO, CALIFORNIA
General Government Expenditures by Function ¹
Last Ten Fiscal Years

Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Education and Recreation	Debt Service	Capital Outlay	Total
1993	\$17,391,560	\$70,079,177	\$ 7,903,143	\$32,730,019	\$111,986,958	\$ 7,432,667	\$5,709,168	\$ 1,072,000	\$254,304,386
1994	10,155,402	80,741,734	8,438,670	36,085,591	112,048,128	6,677,205	7,016,432	684,249	261,847,411
1995	21,938,445	92,981,443	7,244,523	42,845,381	117,820,516	7,390,831	7,102,510	8,787,457	306,111,106
1996	17,067,105	93,307,491	9,516,750	44,530,166	120,408,996	7,454,992	29,510,023	6,380,784	328,176,307
1997	18,452,876	93,367,176	10,214,195	47,073,226	116,318,535	7,178,560	5,548,895	2,029,634	300,183,097
1998	26,589,969	94,133,021	9,728,337	49,894,073	103,978,165	7,333,739	6,060,790	918,517	298,636,611
1999	31,276,622	88,968,414	12,240,113	52,830,271	108,025,825	9,622,427	7,816,731	8,064,738	318,845,141
2000	31,057,335	95,158,216	9,815,424	58,778,916	107,609,032	10,118,268	9,771,080	6,714,180	329,022,451
2001	34,413,532	104,859,511	12,107,010	64,297,492	109,736,636	10,746,213	11,164,570	10,033,031	357,357,995
2002	39,392,941	117,626,458	5,883,609	77,897,875	118,637,287	11,728,628	16,128,453	35,290,048	422,585,299

Source: Audited Financial Statements

¹ Includes general, special revenue, capital projects and debt service funds.

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COUNTY OF SOLANO, CALIFORNIA
General Government Revenues by Source¹
Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses, permits and franchises	Fines, forfeitures and penalties	Revenue from use of money and property
1993	\$ 52,611,494	\$ 2,016,527	\$ 2,969,710	\$ 6,314,797
1994	39,904,193	2,293,678	3,498,738	8,834,717
1995	37,414,894	2,536,807	2,102,961	6,658,082
1996	39,123,671	2,486,162	2,805,866	6,538,096
1997	39,562,515	2,611,666	3,244,468	4,157,170
1998	40,758,626	3,073,006	2,099,000	5,535,132
1999	41,724,749	3,151,701	4,125,065	6,186,024
2000	47,008,652	3,316,382	3,645,577	7,535,374
2001	49,503,902	3,705,314	4,236,423	14,298,160
2002	55,027,729	4,425,099	4,586,822	8,707,718

Source: Audited Financial Statements

¹Includes general, special revenue, capital projects, and debt service funds.

COUNTY OF SOLANO, CALIFORNIA
General Government Revenues by Source¹
Last Ten Fiscal Years

<u>Intergovernmental</u>	<u>Charges for services</u>	<u>Miscellaneous</u>	<u>Total</u>	<u>Fiscal Year</u>
\$ 157,508,475	\$ 21,890,826	\$ 8,012,972	\$ 251,324,801	1993
174,810,318	23,977,072	9,640,536	262,959,252	1994
194,669,655	36,842,912	6,452,905	286,678,216	1995
203,923,076	37,476,211	16,530,678	308,883,760	1996
203,193,717	38,644,420	8,027,918	299,441,874	1997
201,189,378	45,330,179	6,980,308	304,965,643	1998
212,724,221	46,340,313	5,878,697	320,126,888	1999
224,698,307	46,073,991	4,396,998	336,675,281	2000
259,590,608	50,374,834	9,431,653	391,140,894	2001
273,809,145	53,404,452	14,065,157	414,026,122	2002

COUNTY OF SOLANO, CALIFORNIA
General Governmental Tax Revenues by Source
Last Ten Fiscal Years ¹

Fiscal Year	Property Tax	Sales and Use Tax	Property Transfer Tax	Transportation Tax	Taxes - Other	Total
1993	\$ 52,611,494	\$ -	\$ -	\$ -	\$ -	\$ 52,611,494
1994	39,904,193	-	-	-	-	39,904,193
1995	37,414,894	-	-	-	-	37,414,894
1996	37,030,060	917,856	778,755	397,000	-	39,123,671
1997	37,255,197	1,119,974	883,425	274,090	29,829	39,562,515
1998	37,888,612	1,349,120	1,027,403	464,893	28,598	40,758,626
1999	36,650,494	2,796,153	1,581,613	696,489	-	41,724,749
2000	39,731,881	4,471,789	2,308,042	496,940	-	47,008,652
2001	42,091,703	5,141,043	2,145,025	39,500	86,631	49,503,902
2002	48,980,116	1,704,534	2,208,778	1,013,953	1,120,348	55,027,729

Source: Audited financial statements

¹ The detail breakdown of tax revenues for fiscal years 1993 through 1995 were not available.

COUNTY OF SOLANO, CALIFORNIA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1993	\$ 207,213,405	\$ 159,472,732	77.0%	\$ 4,598,308	\$ 164,071,040	79.18%	\$ 8,193,930	3.95%
1994	175,256,709	168,767,246	96.3%	5,365,323	174,132,569	99.36%	9,400,739	5.36%
1995	178,148,430	173,011,331	97.1%	5,656,389	178,667,720	100.29%	8,231,563	4.62%
1996	181,827,617	177,145,183	97.4%	5,273,099	182,418,282	100.32%	8,292,945	4.56%
1997	186,357,309	181,523,346	97.4%	4,943,004	186,466,350	100.06%	8,075,801	4.33%
1998	195,920,241	191,364,527	97.7%	4,437,574	195,802,101	99.94%	8,353,025	4.26%
1999	205,054,382	201,112,484	98.1%	5,324,480	206,436,964	100.67%	6,798,190	3.32%
2000	214,752,491	211,270,305	98.4%	5,117,640	216,387,945	100.76%	7,776,998	3.62%
2001	233,021,257	229,022,341	98.3%	4,913,959	233,936,300	100.39%	5,747,855	2.47%
2002	253,305,116	248,780,029	98.2%	3,596,808	252,376,837	99.63%	6,219,082	2.46%

Source: Solano County Treasurer - Tax Collector - County Clerk

COUNTY OF SOLANO, CALIFORNIA
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed Value				Net Increase		
	Land	Improvements	Other Tangible	Exemptions	Total Assessed Value Less Exemptions	Amount	Percentage
1993	\$ 5,217,868,829	\$ 11,177,922,436	\$1,098,375,869	\$413,255,353	\$ 17,080,911,781	\$ 728,999,149	4.27
1994	5,324,399,634	11,401,282,311	1,207,274,576	456,007,993	17,476,948,528	396,036,747	2.27
1995	5,385,285,868	11,827,332,700	1,210,919,252	532,508,290	17,891,029,530	414,081,002	2.31
1996	5,467,952,134	12,067,628,655	1,236,031,320	545,843,397	18,225,768,712	334,739,182	1.84
1997	5,551,501,713	12,208,579,202	1,280,632,009	483,622,939	18,557,089,985	331,321,273	1.79
1998	5,743,050,644	12,795,068,367	1,379,181,097	527,691,891	19,389,608,217	832,518,232	4.29
1999	5,957,255,329	13,742,896,459	1,388,447,337	697,654,455	20,390,944,670	1,001,336,453	4.91
2000	6,383,594,281	15,108,844,973	1,649,781,527	700,220,447	22,442,000,334	2,051,055,664	9.14
2001	7,064,894,934	16,736,820,629	1,727,954,416	769,357,936	24,760,312,043	2,318,311,709	9.36
2002	7,498,986,428	18,738,192,795	1,561,056,591	791,346,053	27,006,889,761	2,246,577,718	8.32

Source: County of Solano - Assessor's Office

COUNTY OF SOLANO, CALIFORNIA
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Countywide Tax	Local Special Districts	Schools	Cities	Total
1993	1.003101	1.613500	0.182593	0.105878	2.905072
1994	1.003162	1.506054	0.206618	0.225879	2.941713
1995	1.002826	1.531296	0.165145	0.104157	2.803424
1996	1.002651	1.526000	0.104515	0.105144	2.738310
1997	1.002382	1.512000	0.146153	0.098633	2.759168
1998	1.002323	1.526100	0.284365	0.093766	2.906554
1999	1.000000	1.592200	0.356061	0.083774	3.032035
2000	1.000000	1.582688	0.298638	0.077761	2.959087
2001	1.000000	1.580959	0.306871	0.073958	2.961788
2002	1.000000	1.664550	0.230886	0.067263	2.962699

Source: Auditor-Controller's Property Tax Division

County of Solano, California
Principal Taxpayers
June 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Valero Refining Company	Oil	\$ 777,046,246	3.14%
Vacaville Real Estate	Real estate	326,590,840	1.32%
Pacific Gas & Electric Company	Utility	261,650,930	1.06%
Anheuser-Busch, Inc.	Manufacturing	242,721,747	0.98%
Pacific Bell & Subsidiaries	Utility	191,329,604	0.77%
California Northern Railroad	Transportation	105,210,399	0.42%
Alza Corporation	Manufacturing/Warehousing	93,769,140	0.38%
Park Management Corporation	Theme Park	91,849,562	0.37%
Solano Mall LLC	Commercial Sales	84,564,860	0.34%
CPG Finance II LLC	Commercial Sales	68,025,000	0.27%
Totals		<u>\$ 2,242,758,328</u>	<u>9.06%</u>

Source: Annual Budget Document

COUNTY OF SOLANO, CALIFORNIA
Special Assessment Billings and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collected</u> ¹
1993	\$ 41,185,054	\$ 39,016,396
1994	43,035,960	39,793,862
1995	42,448,117	39,799,562
1996	44,342,338	41,720,744
1997	43,552,096	40,196,333
1998	45,859,819	42,784,817
1999	39,791,335	39,791,335
2000	44,544,878	44,544,878
2001	46,228,581	44,848,480
2002	48,279,261	46,645,427

Source: Solano County Treasurer - Tax Collector - County Clerk

¹ Includes prepayments for foreclosures

COUNTY OF SOLANO, CALIFORNIA
Computation of Legal Debt Margin
June 30, 2002

Assessed valuations:		
Assessed value	\$	27,006,889,761
Add back: exempt real property		791,346,053
Total assessed value	\$	27,798,235,814
Legal debt margin		
Debt limitation - 10 percent of total assessed value	\$	2,779,823,581
Debt applicable to limitation:		
Total bonded debt	\$	-
Less:		
Amount available for repayment of general obligation bonds		-
Total debt applicable to limitation		-
Legal debt margin	\$	2,779,823,581

County of Solano, California
Computation of Direct and Overlapping Bonded Debt
June 30, 2002

	Net General Obligation Bonded Debt Outstanding	Percentage applicable to Government	Amount Applicable to Government
Direct:			
General Obligation Debt	\$ -	100%	\$ -
Overlapping:			
Benicia USD 1997 B	\$ 12,960,000	0%	\$ -
Benicia Debt Service 1993 Series B	5,927,081	0%	-
Benicia Debt Service 1994 Series C	2,010,247	0%	-
Benicia Debt Service 1997 Series A	1,150,000	0%	-
Benicia USD 1998 Refunding Series	4,895,000	0%	-
Benicia USD 1997 Series 2001C	3,744,994	0%	-
Benicia USD Bond Measure A, Series 2000B	6,230,155	0%	-
Vallejo USD 1997 Measure A	19,140,000	0%	-
Vallejo USD Bond Measure A Series 1999	27,000,000	0%	-
Vallejo USD Bond Measure A Series 2000	18,430,000	0%	-
Vacaville USD Series 2002	17,575,000	0%	-
Fairfield USD GOB Series 2002	45,000,000	0%	-
	<u>\$ 164,062,477</u>		<u>\$ -</u>

County of Solano, California
Ratio of Annual Debt Service Expenditures
for General Obligation Bonded Debt
to Total General Governmental Expenditures
Last Ten Fiscal Years

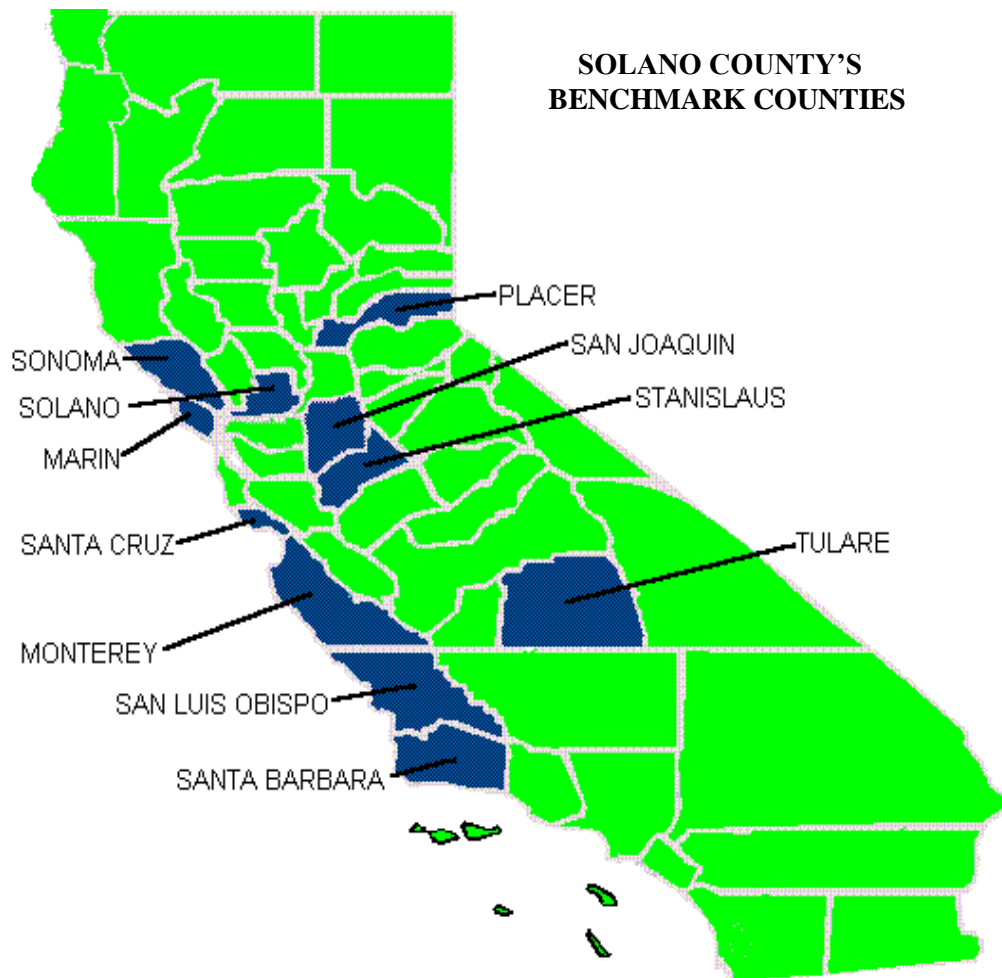
Fiscal Year	Principal	Interest	Total Debt Service	Total general Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1993	\$ 2,955,000	\$ 152,830	\$ 3,107,830	\$ 254,304,386	1.22%
1994	2,500,000	131,288	2,631,288	261,847,411	1.00%
1995	2,040,000	109,355	2,149,355	306,111,106	0.70%
1996	1,575,000	87,079	1,662,079	328,176,307	0.51%
1997	1,100,000	64,307	1,164,307	300,183,097	0.39%
1998	620,000	56,785	676,785	298,636,611	0.23%
1999	480,000	33,000	513,000	318,845,141	0.16%
2000	330,000	24,300	354,300	329,022,451	0.11%
2001	170,000	15,000	185,000	357,357,995	0.05%
2002	-	5,100	5,100	422,585,299	0.00%

Demographic Statistics:

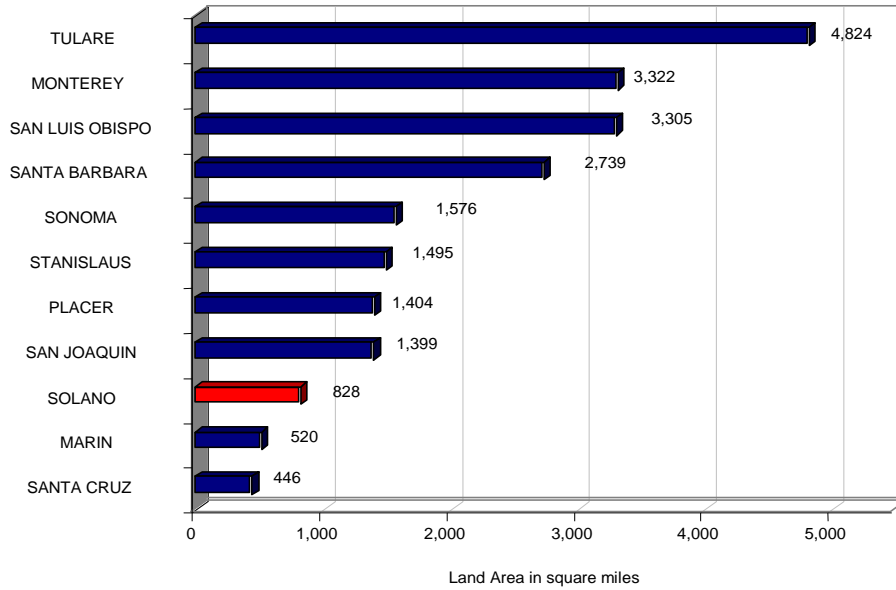
We have selected a group of ten counties that are used for comparisons in the following five tables. The County of Solano has the following characteristics in common with each of these counties:

- They are the ten counties closest to Solano in population – five with higher population and five with lower population.
- A total population of more than 200,000 but less than 600,000.
- All include both suburban and rural environments.
- None contains a large metropolitan city.
- Seven are coastal or Bay Area counties.

Most have the same urban growth vs. rural preservation issues facing Solano County.

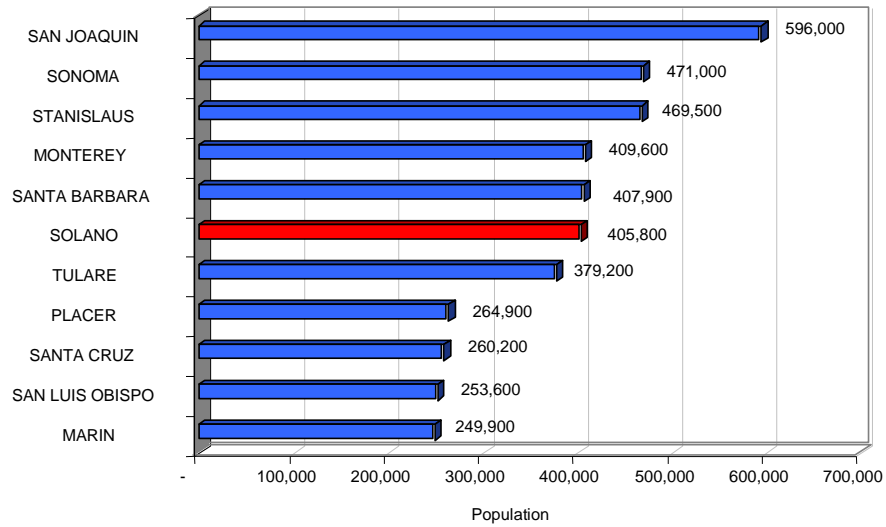


**COUNTY OF SOLANO
Demographics
Benchmark Counties Land Area**

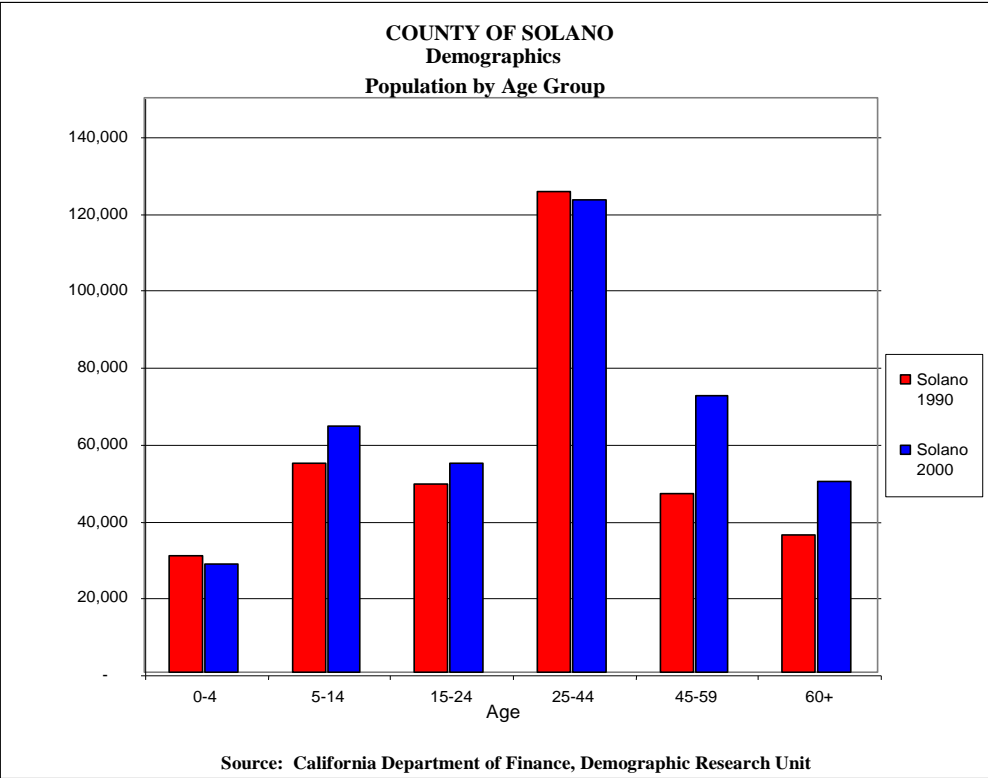
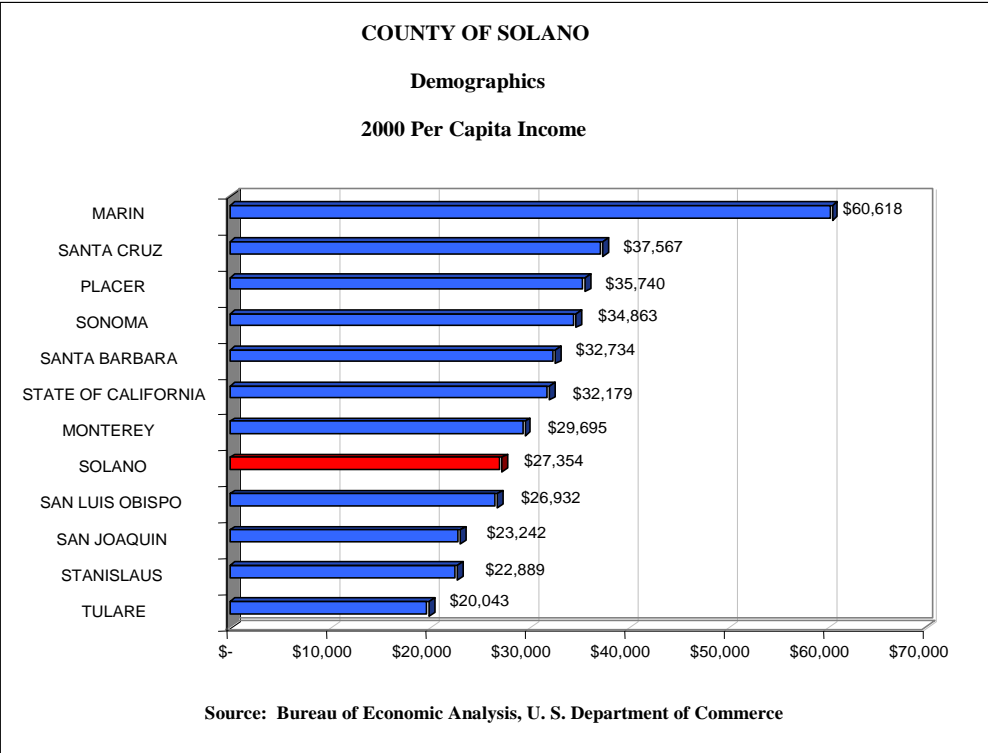


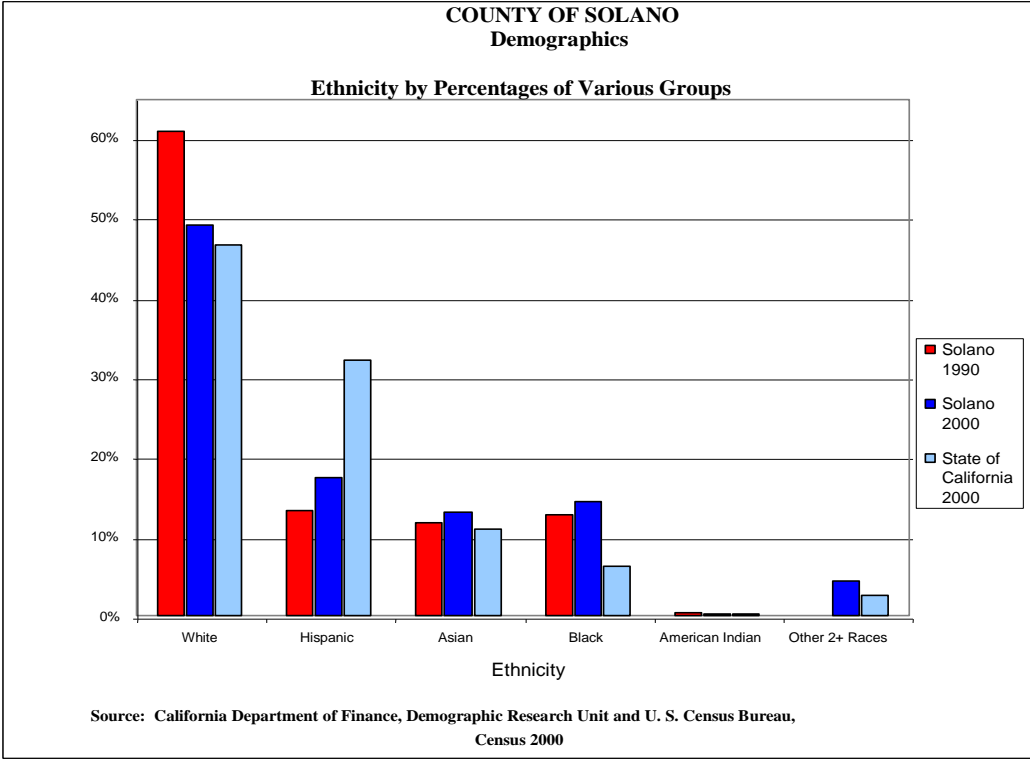
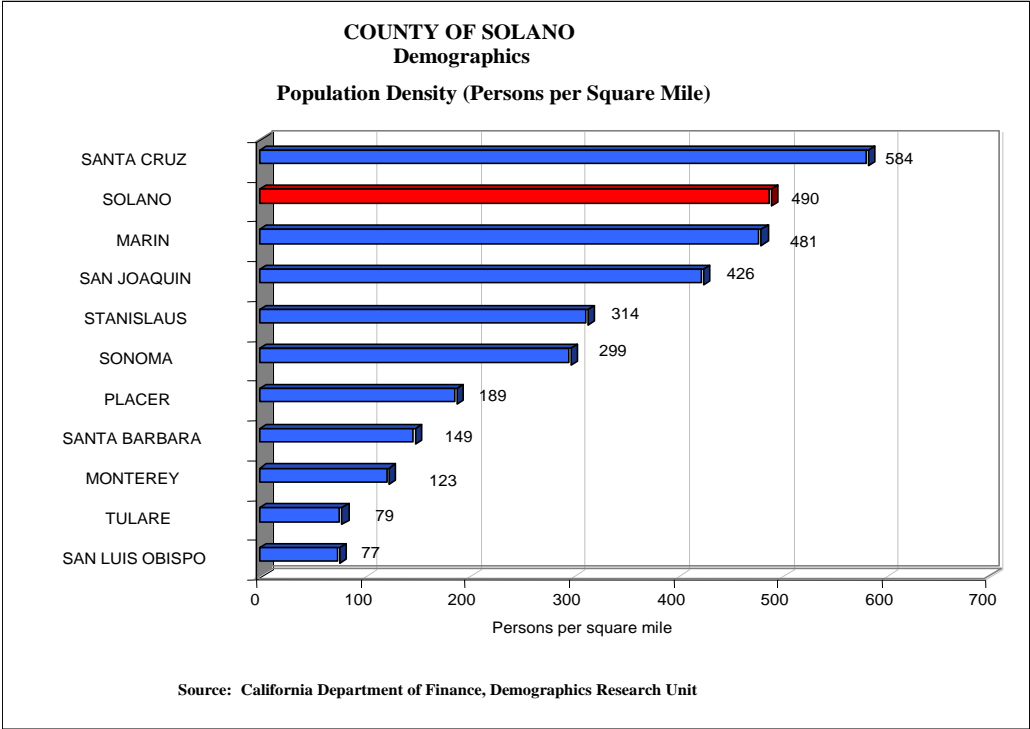
Source: California Department of Finance

**COUNTY OF SOLANO
Demographics
Population of Benchmark Counties, January 2002 Projections**

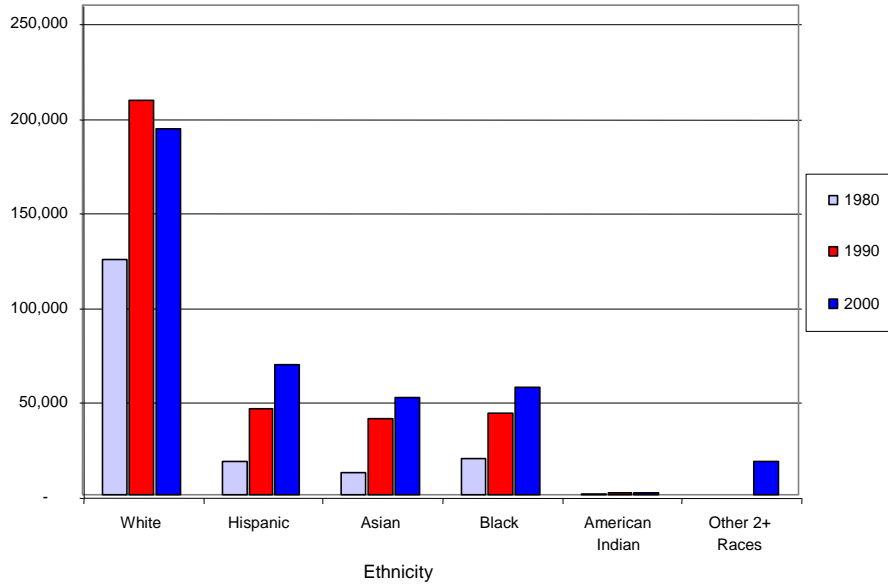


Source: California Department of Finance, Demographic Research Unit



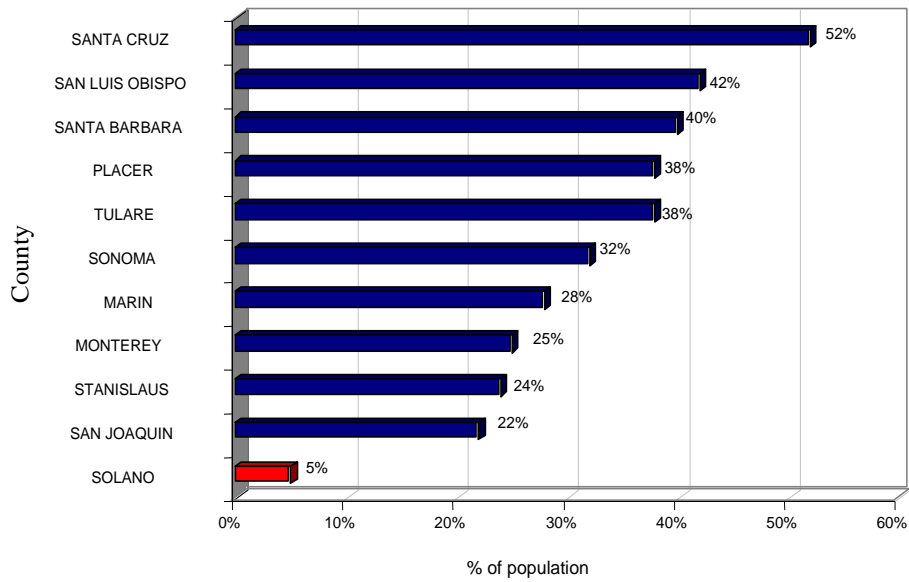


COUNTY OF SOLANO
Demographics
Population by Ethnicity



Source: California Department of Finance, Demographic Resource Unit and U. S. Census Bureau, Census 2000

COUNTY OF SOLANO
Demographics
Percent of Population Residing in the Unincorporated Area



Source: California Department of Finance, Demographic Research Unit

COUNTY OF SOLANO, CALIFORNIA

Miscellaneous Statistics

June 30, 2002

Date of Incorporation	1850
Form of Government	General Law County Five Member Board of Supervisors
County Seat:	Fairfield
Number of employees	
Classified	3,080
Exempt	576
Area in square miles	828
Roads/Infrastructure:	
Miles of streets	600
Number of street lights	328
Bridges	116
Agriculture Crops (2001)	
Nursery Stock	\$ 37,668,100
Processing Tomatoes	23,668,700
Alfalfa Hay	22,057,700
Cattle and Calves	16,789,400
Wine Grapes	13,957,700
Other	71,038,600
Culture and Recreation:	
Libraries	6
Museums	5
Parks	3
Park acreage	223
Protection Services:	
Number of Fire Districts	7
Number of Sheriff's Offices	2

The County has the most affordable housing in the Bay Area and region building industry continues to expand:

Bay Area Home Sales							
County	Number of Houses Sold			Change (%)	Median Price		Change (%)
	May '01	May '02			May '01 (\$000)	May '02 (\$000)	
Solano	776	906	16.8	228	265	16.2	
Contra Costa	1,554	2,232	43.6	306	345	12.7	
San Francisco	446	662	48.4	520	571	9.8	
Sonoma	717	971	35.4	315	339	7.6	
San Mateo	648	980	51.2	504	532	5.6	
Marin	304	460	51.3	563	588	4.4	
Santa Clara	1,548	2,559	65.3	448	461	2.9	
Napa	166	208	25.3	340	345	1.5	
Alameda	1,705	2,260	32.6	364	391	7.4	
BAY AREA	7,864	11,238	42.9	379	413	9.0	

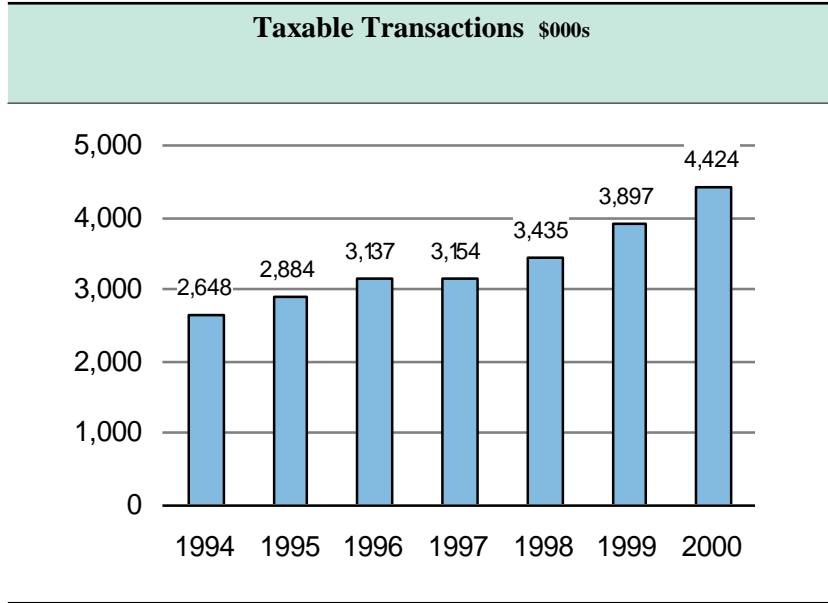
Source: DataQuick Information Systems, www.dqnews.com, San Francisco Chronicle Graphic

The County economy is stable and enjoying consistent and sustainable growth and diversification. The County has demonstrated consistent growth of Labor Force and Employment Base:

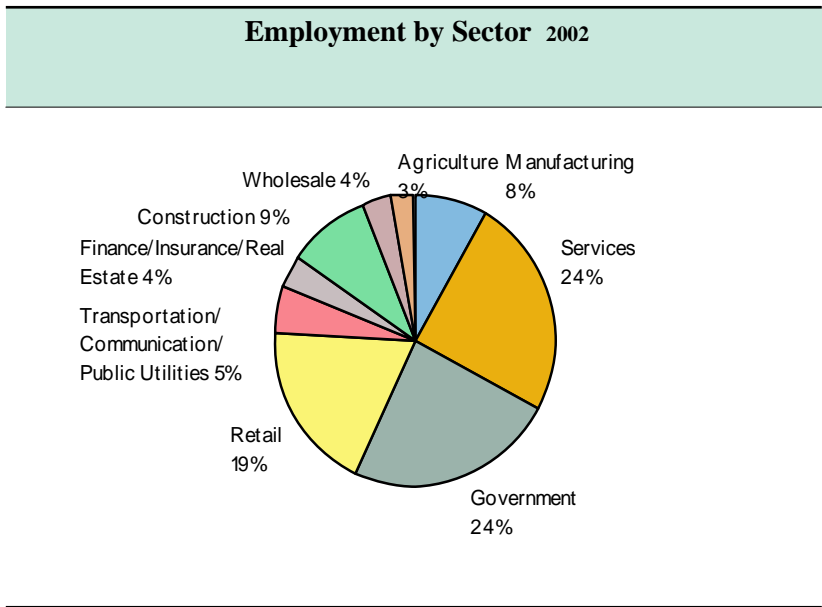
- Labor force has increased 14.6% since 1993
- County's 2002 unemployment rate is 5.6% vs. State's rate of 6.8%

County of Solano Key Economic Indicators					
	1998	1999	2000	2001	2002
Population	383,600	390,100	394,542	398,600	405,800
Labor Force	186,700	190,100	191,000	194,800	200,300
Employment	177,000	181,400	181,600	186,500	189,000
Unemployment	9,700	8,700	9,400	8,400	11,300
Unemployment %	5.2	4.6	4.9	4.3	5.6

The County economy is stable and enjoying consistent and sustainable growth and the County has actively encouraged industrial, manufacturing and biotechnology development with strong cooperative efforts with cities to attract business.



Travis Air Force Base is the largest public sector employer in the County with 7,315 active personnel and a payroll of \$451,000,000.



Largest Private Sector Employers		
Firm	Industry	Employment
Kaiser Permanente	Health Services	3,110
Six Flags Marine Vallejo	Entertainment	1,688
North Bay Medical Center	Health Services	1,000
Valero Refining Company-CA	Oil (refinery)	995
ALZA Corporation	Biotech Manufacturing	700
Albertson's Distribution Center	Distribution	700
Sutter Solano Medical Center	Health Services	581
Westamerica Bancorporation	Finance	542
Genentech	Biotech Manufacturing	500